

EUROPEAN NEWS

Romania defends curbs on E. Bloc drivers

BY LESLIE COLTIT IN BERLIN AND PAUL LENDVAI IN VIENNA

ROMANIA'S LEADER, President Nicolae Ceausescu, has warned against attempts to "interfere in the internal affairs" of his country in an interview that has been interpreted as justifying his move banning East European motorists who cannot pay for Romanian petrol with hard currency.

The unexpected measure stranded tens of thousands of motorists from East Germany, Poland, Czechoslovakia and Hungary who were bound to and from holiday trips in Romania or Bulgaria to the south.

Romania's Communist allies affected by the move took the unusual step of making public their diplomatic protests. East Germany spoke of a "serious violation" of bilateral agree-

ments and treaties and called on Romania to rescind the measures. Hungary has retaliated with a similar move against Romanian lorries and buses in Hungary, although private motorists will not be affected.

In an unprecedented move, it is allowing stranded motorists to change unlimited amounts of their national currencies into Hungarian forints in order to buy food and drink and has set up emergency camps, medical stations and buffets.

Budapest has also sent a delegation to Romania headed by Mr. Karoly Molnar, the Deputy Trade Minister.

Romania's action has especially angered East Germany. Romania lies astride the main eastern highway to Bulgaria, a

favourite holiday country for East Germans. While Poland, Czechoslovakia and Hungary have permitted tourists to circumvent Romania by entering Yugoslavia, East Germany is afraid to follow suit, fearing that many of its citizens would use the detour to defect.

Contrary to earlier reports, Romania has eased the restrictions only for East Bloc citizens returning from Romania or crossing the country on their way home from holidays in Bulgaria. Even this measure is in force only until Friday. Tens of thousands of tourists are reported to have left and more are preparing to leave Black Sea holiday resorts before the deadline.

Bucharest has put the blame on East Bloc tourist agencies

which failed to sign relevant agreements after the measures were announced. However, the agencies retort that they were given insufficient time.

In his interview, President Ceausescu said Romania cannot accept the "existence of a centre" in the international Communist movement which "co-ordinates the activities of the parties." Any co-optation between Communist parties must "preclude each and every interference in the internal affairs of other parties."

At the heart of the Romanian action is the steady decline in domestic oil production and an increase in oil imports from members of the Organisation of Petroleum Exporting Countries (OPEC) paid for in dollars. The

Romanians argue that allowing East Europeans to buy petrol for non-convertible currencies is an intolerable burden on its economy.

In his interview President Ceausescu said his country has been "quite strongly affected by the energy crisis" and in fact has been forced to introduce harsh measures to restrict fuel consumption.

East European diplomats assume that if the Romanian continues their policy Czechoslovakia and East Germany are likely to impose restrictions on Romanian vehicles. This would be a serious blow to Romanian exports of farm products and tinned food, since a considerable proportion of these goes by lorry to the West.

W. German fears on defence fuel

By Our Bonn Staff

WEST GERMAN defence chiefs, concerned that rising fuel costs could eventually damage the country's military effectiveness, are considering a wide-ranging programme of energy-saving measures, according to Defence Ministry officials.

Although there is no immediate prospect of fuel shortage — the Armed Forces have fixed supply contracts with the oil companies and have built up substantial stockpiles — the rising cost of petrol, of aircraft fuel and of light heating oil is forcing the Services to rethink their approach to energy consumption.

The Bundeswehr, Western Europe's most highly mechanised army, has a fuel allocation of about DM 500m (£128m) for this year. It is already evident that this amount will be insufficient unless further conservation measures are taken soon.

The main military consumers are the Air Force and the Navy. The former has been particularly hard hit by a 45 per cent increase in the price of kerosene this year alone.

Some energy-saving measures, similar to those introduced after the 1973 oil crisis, are already in force. The heating in military buildings is being limited to 19 degrees centigrade. Servicemen are being encouraged to travel by rail instead of by car on official journeys, and vehicles are restricted to 100 km-an-hour speed limit.

But a special Military Energy Commission is considering further measures, including the "rationalisation" of Bundeswehr manoeuvres, which would combine units in the same region to reduce costs.

The problem is how to balance fuel-saving measures with military preparedness. Regular exercises by the German Air Force and Navy are seen as essential to the tactical efficiency of the North Atlantic Treaty Organisation.



M. Rene Monory

French oil imports bill up by 13%

By David White in Paris

THE COST of France's oil imports rose by nearly 13 per cent in the first half of this year to FF 31.2bn (£3.21bn), a rate surpassing the Government's original forecasts, even before the latest price increases decided by the Organisation of Petroleum Exporting Countries (OPEC).

M. Rene Monory, Economy Minister, confirmed at the weekend that the higher prices were expected to add between FF 15bn and FF 18bn to France's oil bill for the year.

At the beginning of the year the level was put at FF 27.5bn (£2.87bn), roughly the same as in 1977, after a drop to FF 25bn last year as a result of the declining dollar. The extra bill for 1980 is put at FF 30bn.

Oil import figures for the first half show an increase in volume to 64m tonnes compared with 57m tonnes in the same period last year.

Domestic prices for petrol and other oil products were increased at the weekend, as were electricity charges. The price of high-octane petrol in the Paris region went up by FF 0.10 to FF 3.05 a litre.

Spanish unions hostile to state inflation-linked wages proposal

BY ROBERT GRAHAM IN MADRID

THE MAIN Spanish trade unions have given a hostile reception to Government proposals to adjust wages against inflation. The leading trade union, the Communist-controlled Confederation of Workers Commissions (CCOO) has issued a thinly-veiled warning that the Government can now expect a "hot autumn."

The proposals, announced over the weekend following last Friday's Cabinet meeting, are more restrictive than expected by the unions. They are in the form of a "recommendation" to put up wages in the latter half of 1979 by a further 1.7 per cent maximum to take account of increased inflation.

Relatively few wage-earners are likely to be affected as a result of the wide-ranging restrictions. Specifically excluded from this increase are: public sector employees, people working in companies running at a loss, those earning more than

Pta 750,000 (£5,000) a year, and those whose earnings have exceeded the 14 per cent guideline ceiling imposed for 1979.

The public sector and loss-making companies are the largest employers, while several of the more profitable companies contrived to exceed the 14 per cent guideline. The 25,000 limit is also deceptive since this includes all extra payments such as holiday bonuses and an extra month's pay.

These restrictions reflect the Government's fear that large across-the-board increases to match inflation would increase further the inflationary spiral.

In particular, officials argue that the public sector deficit is running at twice its anticipated rate there is no justification for a further burden.

In private, officials concede that it has been an error to

Pilots critical over Dutch Tenerife crash tribunal

BY CHARLES BATCHELOR IN AMSTERDAM

AIRLINE PILOTS in the Netherlands are disturbed at the "superficial" way a Dutch aviation tribunal handled its investigation into the world's worst air disaster, which happened at Los Rodeos Airport, Tenerife. The tribunal skated over the main question of why an experienced KLM pilot attempted to take off without permission, the Dutch Association of Commercial Air pilots said.

The pilots take the view that the recommendations of the tribunal are not new and that in practice they will lead to no changes in procedure. "The judgment merely concludes that no-one could

have acted differently. The tribunal completely ignored the critical point, the fatal action of the KLM pilot," Mr. Frits van Vlienen, a spokesman for the pilots, said.

A collision between two Boeing 747 Jumbo jets on the fog-bound runway at Tenerife in March, 1977 killed 583 people. A sore point with the Dutch pilots is that a Spanish Ministry of Transport report, which has been disputed by Dutch aviation experts, put most of the blame on the Dutch. Throughout the two-day hearing in May and in the judgment it has given, the tribunal attempting to avoid apportioning blame.

Saudi fund to lend Turkey £108m

By Metin Munir in Ankara

THE SAUDI Development Fund is to lend Turkey \$40m Saudi rials (£108m) over the next three years for the financing of "some economic development projects," according to an agreement published in the official gazette here yesterday.

The fund will disburse the money after studying feasibility projects submitted by the Turkish Government and will also try to raise loans for them from other international finance institutions.

Turkey is also to receive a loan of \$50m from the Islamic Development Bank this year.



Herr Franz-Josef Strauss

Ostpolitik assurance by Strauss

By Jonathan Carr in Bonn

HERR Franz Josef Strauss, freshly returned from leading a group of more than 200 Bavarians on a semi-official visit to Hungary, has emphasised he would aim at an Ostpolitik of "honest partnership" if elected West German Chancellor next year.

In a radio interview, Herr Strauss was at pains to explain that if he came to power his policies would not lead to a serious deterioration of relations with the Soviet Union and Eastern Europe as some of his critics in the Government parties allege.

He stressed that a government led by him would respect the treaties with the East concluded by Bonn over the last decade, although he felt the pact had been poorly negotiated. He noted that the federal German constitutional court had handed down a judgment involving very precise interpretation of the treaty texts — and that would be adhered to as well.

Herr Strauss, Prime Minister of Bavaria and recently chosen by the Opposition parties as their candidate for the Chancellorship in next year's elections, has stressed that his trip to Hungary was in large measure a normal event.

However, quite apart from Herr Strauss' reputation of toughness towards Eastern Europe, the sheer size of his group was bound to attract unusual interest. It included 14 of the 17 Bavarian Ministers and State Secretaries, most of the 129 parliamentarians of Herr Strauss' Christian Social Union Party, as well as numerous friends and assistants.

Herr Strauss had a lengthy talk with Mr. Janos Kadar, the Hungarian Communist Party leader — and now evidently believes that an invitation may soon emerge to visit Moscow (albeit with a somewhat smaller delegation).

Herr Strauss said he believed that if leading Soviet statesmen could alter their attitude to Germany as a whole — East and West — then a new dawn could emerge for Russians and Germans and the peoples between them.

Fraser takes the centre of Lusaka stage

BY DAVID PALMER AND MARTIN DICKSON IN LUSAKA

THE star turn at this year's Commonwealth Conference has been Mr. Malcolm Fraser, the Australian Prime Minister. The leading players — Margaret Thatcher and Lord Carrington, Kenneth Kaunda of Zambia and Julius Nyerere of Tanzania and the optimistically named Secretary-General, have been content to work behind the scenes.

But on every day of the conference, Malcolm Fraser has been right out there on centre stage. On day one of the conference, it was Malcolm Fraser who secured for himself the invitation to reply to President Kaunda's opening address. He used it for a serious and strongly worded attack on racialism.

On day two, it had originally been planned that the Malaysian Prime Minister, Datuk Razlan Bin Onn, would open the Vietnam debate. When he failed to turn up in Lusaka, the lot fell on Malcolm Fraser, who led by at Vietnam.

In the afternoon, the subject was the world economy. The man billed to lead off the debate, Malcolm Fraser, with a well-constructed speech reminding the conference of the "political will and vision which inspired the Marshall Plan," and the "sombre prospects" which could ultimately threaten the world's "social cohesion."

Two major speeches in one day — the Australian Press Friday was Rhodesia day. Mr. Fraser could not believe his luck. Fraser had played a valuable and widely applauded role in the run-up to the conference in helping to pave the way towards a consensus. Once in Lusaka, he spent a busy three days in bilateral (and well publicised) huddles with the key participants to the dispute.

At an informal dinner on Friday night, Sonny Ramphal put together an inner group of six as the focus for the week-end Rhodesia discussions. There was a lot of talk of going to represent the "old Commonwealth," Malcolm was right in there, while Joe Clark of Canada, who, to put it at its kindest, is somewhat fresh to the international scene, preferred to spend the weekend horse-riding and visiting Victoria Falls.

But Malcolm Fraser's finest hour was still to come. Through out Sunday there were nods and winks going round Lusaka. And that, as history will note, is just what happened. At the Australian High Commissioner's residence in Lusaka the hungry heads of state approved the communiqué with only the faintest of murmurs. Mr. Fraser helped them all to a good dinner.

By 11.00 p.m. on Sunday night the duplicating machine were rolling out copies of the document. Malcolm Fraser, world statesman, Australian-style, arrived on stage. He arrived, as he said, "in a state of mind, any day in his dismal showing in the Australian domestic opinion polls."

A pat on the back for Mrs. Thatcher

BY ALL accounts, Mrs. Margaret Thatcher has made a remarkably favourable impression on other Commonwealth leaders during the Lusaka conference, exercising both charm and tact to gain the confidence of African leaders who regarded her with open hostility only a week ago.

Journalists yesterday had their first opportunity to see Mrs. Thatcher the Commonwealth diplomat in action, when she gave her first Press conference in Lusaka. It was a remarkably relaxed and good-humoured performance. Mrs. Thatcher displayed none of the ire she sometimes shows when faced with a difficult question.

With an agreed communiqué on Rhodesia in the bag three days before the end of the conference, she could afford to be pleased and to "pat myself on the back a little."

"It wasn't half bad," Mrs. Thatcher declared. "Worth coming to Lusaka for."

The Prime Minister's main concern was to convince both the Press and Tory backbenchers that the Lusaka agreement represented no change in government policy, and was in the best interests of Rhodesia. She even quoted from the Conservative Party election man-



Things were going well, but it wasn't in the bag yet... difficulties in drafting... still some hurdles to jump.

The truth was that by Sunday lunchtime, the Rhodesian communiqué was in the bag, and at 3.30 Malcolm Fraser led it out of the bag. "At the moment, I cannot see who would upset an agreement," he beamed at the TV cameras.

Within half an hour the Press corps in Lusaka knew of the agreement. What was just one problem... 23 Commonwealth countries who had not been part of the inner group of six did not... had been planned to present it to them in the full conference session yesterday.

Sonny Ramphal and Mr. Thatcher were both reports to be furious. But Malcolm Fraser had the answer. Why he not hosting a dinner the very evening for 36 of the 3 heads of delegates? Why not turn the cocktail hour into a "special restricted session" of the full conference?

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AS THE WEST GERMAN RESTRUCTURE... 'BIG IS BEAUTIFUL'

A blend of optimism and despair

BY ROGER BOYES IN BONN

THE LATEST, somewhat Delphic, message from the West German steel industry is an uncomfortable blend of optimism and despair: business may well have to get worse before it gets better.

That at any rate is the general conclusion reached by leading German steel makers in their recent half-year reports. There is, they acknowledge, a slight upturn in the market compared with last year — production is up and European demand for special steels is surprisingly strong — but a major turnaround can only be achieved by the mid-1980s at the earliest, after Europe has purged itself of excess capacity.

This is not just academic counsel. West Germany has been carrying out substantial restructuring on its own account, though with mixed results. There have been a number of realignments in the German steel industry, all of which seem to be poised on the "big is beautiful" principle.

The recent ARBED takeover of Stahlwerke Rheinisch-Burghard (SRB) and Neunkircher Eisenwerke provides a useful example of how such measures of concentration work.

ARBED acquired 97.9 per cent of SRB and 87 per cent of NEU Neunkircher — both in the depressed Saar region, which borders ARBED's Luxembourg base — with the idea of focusing on special steels.

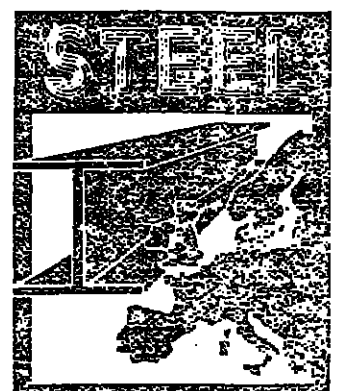
To this end it is building a special steel works in Voelklingen, involving an investment this year of more than DM 30m with two converters and two foundries. At the same time, mass steel facilities at Neunkircher Eisenwerke and Voelklingen are to be closed between 1982 and 1987.

The SRB and Neunkircher will thus, it is hoped, become more closely attuned to the needs of West German and French markets and be geared to ARBED's mechanical engineering interests.

But what has all this meant in the short term? Last year Roeding Burbach's group losses

totalled DM 226m on a turnover of DM 2,566m. It is clearly going to be difficult to convince its shareholders and workers that the pangs it is going through now will pay off in the long run.

And yet the shift to special and stainless steels looks inevitable. Even in an upswing year, the overall annual output of crude steel is unlikely to be much more than 43m tonnes this year, compared with 41m tonnes in 1978, which represents only 75 per cent capacity utilisation. It is still a long, long way from the happy days of 1973 when capacity utilisation was about 88 per cent and



production was running at 55m tonnes.

How then has the German steel industry, still the most efficient in the European Economic Community, been coping with the crisis? The order of the day, it seems, is to cut back capacity, try out new energy-saving and labour-saving technology, develop special steels and diversify into steel-related manufacturing sectors.

In short, the Germans are following the pattern foreseen by the Davignon Plan. German steel companies were initially a little suspicious of the Davignon scheme, which among other things limits low-price imports from third countries and stabilises the European market through a

system of recommended production levels and minimum prices. The German fear was that France, Britain and Italy would not use this much-heralded "breathing space" to modernise their steel industries and that the prospect of rising demand and better prices would lead them to defer radical cut-back plans.

These doubts have not yet disappeared but it is clear from recent speeches by senior Krupp and Klockner executives that German scepticism about the plan and its commitment to free market competition have been tempered over the past six months.

The fact of the matter is that German producers have also benefited from the scheme — the 1978 results, though bleak, make this clear. When the steel industry of British and Italian Government subsidies are becoming increasingly irrelevant.

Government support for depressed regions, such as the Saar and the Ruhr, and for steel-related industries had somewhat undermined the Germans' putative free market claims. The exact scope of indirect subsidies benefiting German steel producers is impossible to calculate but Government support for coking coal — the fuel of the steel industry — alone is expected to total about DM 750m this year.

Germany exports about one-quarter of its coal production to the EEC, most of it going to the steel industry. When the steel recession began to bite, the Government had to commit itself deeply to the coal industry and thus, by extension, to the steel producers.

During the Davignon "breathing space," Germany has concentrated on three main goals: steady reduction of capacity and production costs, development of new techniques to maximise the profitable areas such as special steels, and diversification into mechanical engineering, plant construction and turnkey projects.

As in Britain and France, the

cutback of capacity has sometimes had painful social consequences. Klockner for example has shed well over 1,000 employees during the past business year. While other major producers have not taken quite such drastic steps, short-time working is widespread.

German steel workers are the best paid in Europe and there is thus constant pressure on production costs. Productivity however is high. Even Salzgitter, the Government-owned steel-making and engineering group, has not been immune from labour cut-backs. Since 1974 it has reduced its workforce from almost 58,000 to under 52,000.

Although this process of contraction has historically been less violent in its social and political effects than in other European countries, the unions last winter showed that their patience is not unlimited.

The six-week strike and lock-out in the West German iron and steel industry — the first in more than half a century — was primarily about the unions' fear that the run-down in jobs may go a good deal further before it reaches a plateau.

They complained that steelworkers have been treated as the "ballast" of the industry, to be thrown overboard when the going gets difficult. Despite the capital allocations which the Government has given to Salzgitter in tide it over the crisis — it appears to be in the black again this year — Bonn has generally left the management to make its own rationalisation decisions and has not exerted pressure to keep employment levels high.

Recently, Friedrich Krupp Huettenwerke, the Krupp group's steel subsidiary, has shown that even when the market is in the doldrums, high investment in new processes is



Blanks for railway wheels being sawn from large-diameter steel rod before pressing at a West German steel works.

a risk worth taking. It has recently completed a DM 51.5m re-equipment programme which provides for the continuous casting of special steel billets.

By cutting out two stages in the normal casting process, backing up the process with new rolling mills, FKH hopes to save as much as DM100 a tonne. Although much will depend on the price of scrap, the process represents a considerable commitment to higher value special steels.

Smaller companies have not had the funds available to develop completely new processes from scratch to meet the demands of the crisis. But, by applying processes tested and tried in the U.S. and then introducing them to Europe, companies such as the Korf Stahl group have managed to survive. Five years ago, Korf

acquired the Midrex direct reduction process — manufacturing iron in a highly pure form from ore pellets — from Midland Ross, which has given it a significant share of the market.

Larger groups such as Thyssen have been handling the crisis by diversifying and spreading the risk. Thus Thyssen, once synonymous with steel, is now more of a capital goods, trading and services concern, albeit with an important steel base. Without special steel, the steel division now accounts for only one-third of total external sales.

There is now an awareness that quality and not quantity has to be the watchword. With high labour and production costs and competition from subsidised producers, the Germans have to try to carve out an unsalvageable niche in the quality steel market.

Amin invasion threat discounted by diplomats

BY JOHN WORRALL IN NAIROBI

DIPLOMATS IN Nairobi and Kampala are highly sceptical about Ugandan President Godfrey Binaisa's warning in Lusaka that former President Idi Amin is poised to attack Uganda from Sudan with an army of 30,000.

The diplomats believe President Binaisa is putting this scare forward as an incentive to President Julius Nyerere of Tanzania to leave more troops behind in Uganda.

Amin's army was soundly defeated in Uganda, and most of his troops abandoned their arms before they fled into Sudan, said one U.S. diplomat.

Besides, it is extremely unlikely that President Numeiri of Sudan would allow such an expedition to be launched from his territory, in spite of his

anger against Nyerere for invading Uganda.

The idea that Libyans might be brought in to support such an invasion after their record of disaster when fighting for Amin in his last days is "just not on," said a Kenyan official. The present whereabouts of Idi Amin is not known, but the last information the Kenyans had was that he was in Libya.

There are known to be about 35,000 Ugandan refugees in south Sudan, mainly Muslims who fled with Amin's army.

FINANCIAL TIMES, published daily except Sundays and holidays. Subscription rates: £250.00 per annum. Second class, postage paid at New York, N.Y. and at additional mailing offices.

Israel-U.S. rift sours Palestine autonomy talks

BY DAVID LENNON

AN AIR of near crisis envelopes the latest talks on Palestinian autonomy, which got under way in Haifa yesterday.

The rift between Israel and the U.S. on the Palestinian issue soured the atmosphere, and the Jordanian and Israeli participants appeared to be struggling to find common ground.

Yesterday night's preliminary meeting between the heads of the Israeli and Egyptian delegations left both men looking grim and tense.

The full working session with the Americans yesterday morning concentrated on key issues such as the status of Arab-East Jerusalem, legislative powers or the autonomous regime, and

voting rights for Palestinians living outside the occupied territories.

Dr. Yosef Burg, the Minister leading the Israeli team, appeared far from optimistic and spoke of substantive difficulties in the negotiations.

The wide gap between the Israeli and Egyptian concepts of autonomy for the occupied West Bank and Gaza Strip came sharply to the fore at this, the fifth meeting at ministerial level. Four other meetings were held between officials of the three parties.

Looming large in the background was what the Israelis claim to be open American support for the Egyptian

position. This had led in the past week to angry criticism from Jerusalem, which was also disturbed by other American expressions, seen by Israel as indicating a U.S. shift towards the Arabs on a number of issues.

Nonetheless, after the morning session, some of the Israeli Ministers insisted that progress had been made, and that the feared breakdown of the talks was unlikely.

The negotiations continued last night and two further working sessions are scheduled for today. The Egyptian delegation is due back in Cairo tonight.

Equatorial Guinea to free political prisoners

PARIS — Lt-Col. Theodoro Obiang Nguema Mbasogo, the apparent new strongman of Equatorial Guinea after a weekend coup, has decided to free all political prisoners, according to the state radio.

Since independence from Spain in 1968, Equatorial Guinea had been decimated by the "terror" rule of President Francisco Nguema, the broadcast said. "The villages have been abandoned, misery has taken hold, arbitrary arrests have become normal procedure, assassins claim 50 or 60 victims each day for imaginary plots," the radio said.

"People of Equatorial Guinea, a sombre page of history has just been turned," the broadcast said, but it gave no indication of the fate of President Nguema.

The 57-year-old President was reportedly arrested on Friday night in his home village of Njombo and replaced by a military junta. Col. Mbasogo was Vice-Minister of Defence before the coup.

AP

Kuwait oil cut 'only at planning stage'
Kuwait's intention to cut oil production by 500,000 barrels a day (b/d) from the present 2m b/d is just a plan, and needs Cabinet approval before it is carried out, according to Mr. Ali Khalifa Al-Sabah, Kuwait's Oil Minister, Reuters reports from Kuwait. He told the daily Al-Qabas that instability in the world oil market prevented the plan being implemented at least for the time being.

Iranian authorities execute three

Three more executions took place yesterday in two Iranian cities, bringing the total number of reported executions since last February to 380. AP reports from Tehran. The Islamic Revolutionary Court in the southern city of Abadan condemned to death two Iranian Arabs in connection with explosions which affected gas and oil pipelines near the port of Mahshahr. In the central city of Isfahan, a state police official was executed by firing squad, after he was convicted of murdering anti-Shah demonstrators.

Mark Webster reports from Lagos on Nigeria's first election in 15 years

A game of political musical chairs



Only the successor to Gen. Olusegun Obasanjo (above), Nigeria's head of state, remains to be elected to complete Nigeria's first civilian Government for 15 years

ALTHOUGH ALLEGATIONS about ballot rigging and other malpractices have yet to be cleared up, the shape of Nigeria's future civilian government is now emerging. Nigeria's 48.5m registered voters were asked to choose a U.S. style government, led by an executive president in the country's first general election for 15 years.

After a four-week election marathon, the voters have selected 95 senators, 449 members of the House of Representatives, 1,347 members of the State Houses of Assembly and a governor for each of the 19 states. Only the key position of president remains to be decided and voting for that will take place on Saturday. If there is no clear winner on the first ballot there will be another next week.

There have been minor variations in turnout and voting patterns for the four elections, but a number of important features remained constant throughout: turnout was low, never exceeding 35 per cent, there was a predominance of block voting along ethnic lines, and personalities and parties were more important than ideologies in all the elections.

Each of the five parties secured its own ethnic basis without any serious opposition from any of the others. But there was keen competition among them for the support of the floating voters in the states of Gongola, Kaduna, Kwara, Cross River and Rivers. These states are either minority tribes not part of the big three ethnic groupings in the north, the west and the east, or they are divided in their loyalties between different parties representing the same ethnic group.

It is already clear that no one party will have anything like a majority in either of the Federal Assemblies—the Senate or the House of Representatives. Commentators here are divided over whether that will prove a benefit or a disadvantage. Some argue that while no single party has a majority, no single geographical area can dominate the others. Others contend that the way will be wide open for coercion of any kind to secure a majority vote on anything.

In Nigeria, with its history of "dirty politics" and vote-buying before the military took over in 1966, the commentators say there is bound to be corruption on a grand scale as parties try to win a favourable vote. On the other hand, some will say that is an unnecessarily pessimistic view which ignores the past 13 years of consolidation and development under the military and the memory of a bitter civil war caused by ethnic confrontation.

In support of the pessimists' view there is certainly an eerie familiarity about some of the goings on over the past few weeks. Much as in pre-1966, the biggest single party is northern based, in this case the National Party of Nigeria (NPN), led by its Presidential candidate Mr. Alhaji Shehu Shagari. Thanks to its strength in the north, the NPN easily secured the States of Sokoto, Niger, Benue and Bauchi. But it is also took the governorships of Kwara and Cross River.

Next came the Unity Party of Nigeria (UPN) led by the veteran politician Chief Obafemi Awolowo. The UPN is the party of the western States and it "walked" the elections in Oyo, Ogun and Lagos as well as taking the lion's share of the votes in Bendel State where the UPN won the governorship.

The Nigerian People's Party (NPP), led by the country's first civilian President, Dr.

Nnamdi Azikiwe, held the Ol Ibo heartland of Imo and Anambra. It also asserted its hold on Plateau State where it won over the gubernatorial race. Of the two smaller parties the Great Nigeria People's Party (GNPP) had a strong showing in Borno, the home State of its Presidential candidate Mr. Alhaji Waziri Ibrahim, while the People's Redemption Party, led by Mr. Alhaji Aminu Kano, won his own home State of Kano and took the governorship of Kaduna.

The five floating states were split as follows: Gongola, between the GNPP, the UPN and the NPN; Kaduna, between the NPN and the NPP; Kwara, between the UPN and the NPN; Cross River, between the NPN and the GNPP; and Rivers between the NPN and the NPP. The same divisions apply to all the elections except the governorship, where there can only be one victor.

What was most noticeable from the voting patterns was the relatively wide spread of the NPN's support. Despite being essentially a northern party, the NPN has managed to win voters throughout the

Federation and in most elections had more than 25 per cent of the vote in 12 states.

Although the party says it is disappointed with the poor showing which it received in some of the western and eastern states, the results are significant for the presidential elections. To be elected on the first round, a candidate must not only get the most votes, but must have more than 25 per cent of the votes cast in at least 13 of the states. Failing that, an electoral college composed of the two Federal Assemblies, along with the State Houses of Assembly will elect a President.

The respect of the NPN clinching a presidential victory on the first round sparked off a somewhat undignified game of political musical chairs among the other four parties, all of whom wanted to be in the seat of power when the music stopped. The rapidly with which alliances have been proposed, publicised and then abandoned has added to some people's fears that Nigeria is indeed returning to the dark ages of pre-1966 politics.

Leading the field in the alliance making have been Chief Awolowo and Dr. Azikiwe. At one stage Chief Awolowo even proclaimed a grand alliance between all four of the smaller parties. After a hasty round of consultations the idea was dropped. Meanwhile, Dr. Azikiwe has dubbed himself a "beautiful bride," whom all the parties are trying to win.

The alliance making has gone on despite the fact that there are noticeably wide divergencies in the programmes of the parties. For instance the PRP considers itself the most radical with its call for a real welfare state, while the UPN has the more limited objective of free education for all. The NPN, although it has joined the others in promising a better life for everyone, has been more moderate in its promises and favours an open market economy without too much state interference.

The acid test of all the parties will be the way they conduct themselves over the next few weeks. Commentators say that the real bargaining could start if the first round of the presidential elections proves inconclusive and the matter has to be decided by the electoral college. There would then be a great opportunity for any party which desperately wants the presidency to defy the will of the voters and buy its way into power.

Mauritania, Polisario peace pact

BY OUR FOREIGN STAFF

MAURITANIA has formally confirmed its withdrawal from the war over Western Sahara by signing a peace treaty in Algiers with the Algerian-backed guerrilla group Polisario. It has renounced all claim to the southern part of the former Spanish territory, which it took over in 1976.

The agreement, which came after three days of talks, institutionalises a situation which has existed on the ground for about a year. Though Mauritania nominally held the Tiris el-Gharbia, the barren area is called, it had been effectively controlled by Polisario, which also dominates much of Northern Mauritania.

Although there are Mauri-

tanian troops in the Tiris el Gharbia, neither they nor the Moroccan troops also based there have taken any offensive action since July last year, when Polisario declared a truce.

The agreement does not, however, lay down any timetable for troop withdrawals from the area. The Mauritanian action in pulling out of the war has dangerously alienated Morocco, which took the northern and more valuable part of Western Sahara and which has 8,000 troops stationed in Mauritania. It has threatened to take steps "to ensure the security and peace" of the region once Mauritanian troops withdraw. However, it is not clear whether,

despite such threats, Morocco will try to take over the Tiris el Gharbia.

The Mauritanian action will not, however, mean an end to the war which has been going in Western Sahara for three and a half years. There is, in effect, a stalemate between the guerrillas in the desert and the Moroccan army in the towns and settlements. In effect it is a war by proxy between Morocco and Algeria and neither side seems prepared to back down. There have been frequent unofficial contacts between Rabat and Algiers since the beginning of the year in an attempt to break the deadlock. But there is still no sign of real change of heart.

Kabul quiet but people 'sullen'

BY SIMON HENDERSON IN ISLAMABAD

KABUL, capital of Afghanistan, was quiet yesterday after the army mutiny on Sunday which was quelled by loyal troops using helicopter gunships.

The pro-Soviet regime of President Nur Mohammed Taraki appeared fully in control, although the population was described as 'sullen' and intimidated by the Government's show of force.

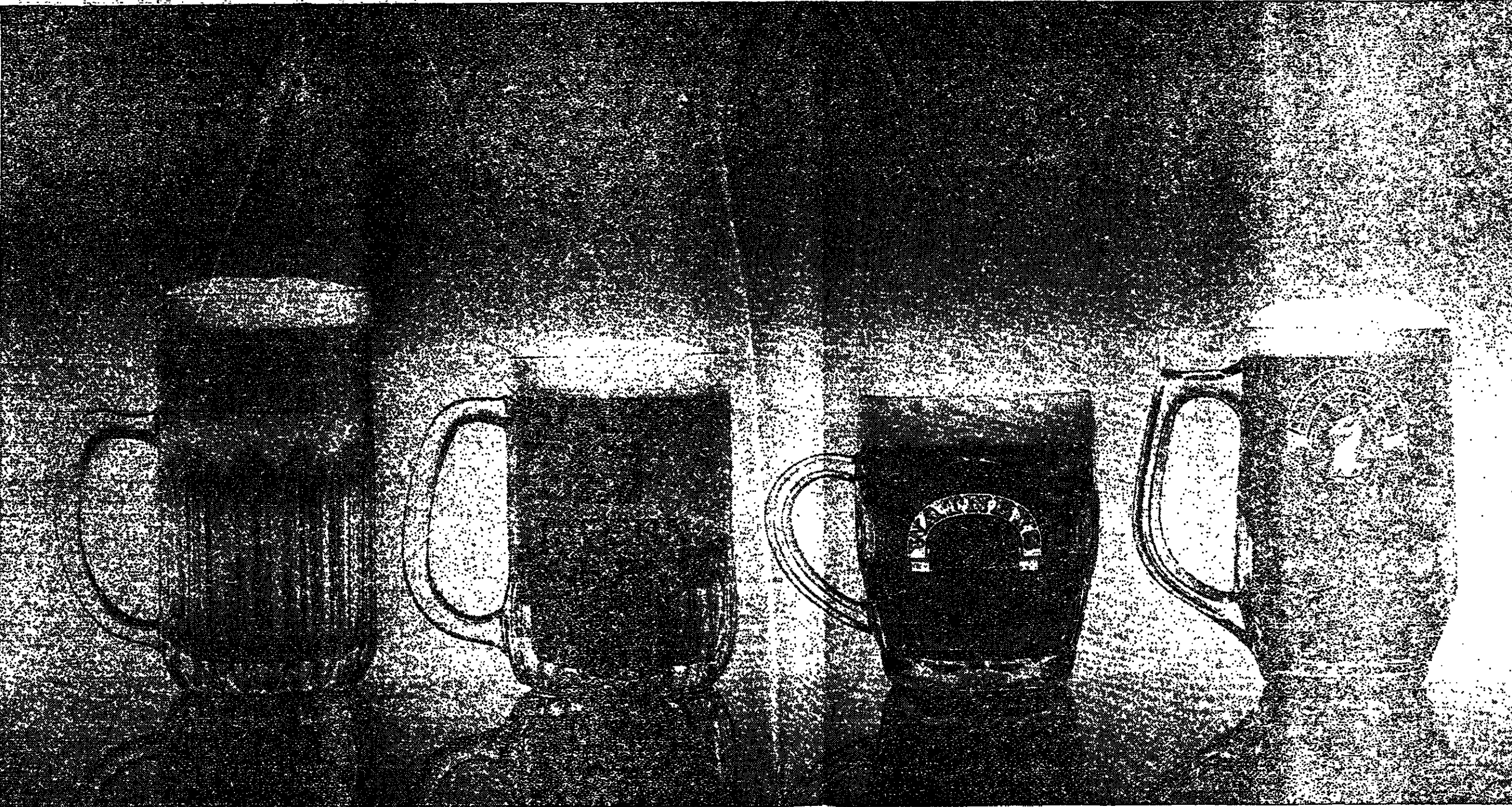
Leaflets were handed out and loudspeaker vans toured the city describing the incident as

the work of Iranian and Pakistani reactionaries. Diplomats maintained, though, that it was an army mutiny which, because of the tribal rebellion in the countryside, fore-shadowed growing problems for President Taraki's Khalq Party Government.

The mutiny appeared to fall because no other units joined in. The fighting seemed to be concentrated on the garrison in the Bala Hissar fort near the centre of Kabul. Explosions else-

where were interpreted as being measures to stop the mutiny spreading or part of an operation to mop up rebel soldiers who had escaped.

President Taraki's regime crushed the rebellion with notable vindictiveness. After the mutineers had failed to win control of the fort they tried to escape over the walls and into the surrounding hills, but were picked off by the helicopter gunships.



Who builds the breweries where the brewers brew the beer?

A brewery is not a factory. It's a meeting place of traditional skills and modern technology. It has to be designed and built as an entity.

It's no coincidence that John Laing have been selected as the main contractors for four of the most modern breweries in Britain. The Whitbread brewery at Luton, the Harp brewery at Ayr, Watneys

London's brewery at Mortlake are all completed. The new Courage brewery by the M4 at Reading is well advanced, and the first pints of Reading-brewed John Courage should be drawn in 1979.

However, Laing are much more than specialist builders to the brewing industry. This advertisement could have been built round Laing's special

knowledge of building cathedrals, with Coventry Cathedral and the new Roman Catholic Cathedral of Clifton, at Bristol, to their credit. Or docks, constructed from scratch in the Middle East. Or hospitals. Or oil platforms.

More than 20,000 people give Laing this special knowledge in so many diverse fields of construction. Collectively,

they make Laing one of the biggest construction companies in the world. However, size in itself is no virtue. At Laing we believe that our strength lies not in our numbers but in our capability.

LAING
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AMERICAN NEWS

No early decision on Chrysler aid

BY JOHN WYLES IN NEW YORK

CHRYSLER Corporation seems likely to have to wait several weeks before it will know how much the Federal Government and the United Auto Workers union are prepared to help in relieving its severe financial problems.

Chrysler's claims that a delay of several weeks would not pose any critical problems, Mr. John J. Riccardo, Chrysler's chairman, affirmed last week that despite first half losses of \$294m, the company had enough short-term cash available through bank lines of credit to maintain operations. But he stressed that its long-term future would be in jeopardy without the \$1bn

federal loan it is seeking over the next two years.

Both the U.S. Treasury and the Federal Reserve Board are likely to take several weeks to complete their examination of the company's plight and its proposals for cash aid and for relief from Government-mandated emissions regulations. Mr. William Miller, who was sworn in as Mr. Carter's new Treasury Secretary yesterday, is expected to take personal charge of the Chrysler problem and he and the Administration are expected to be sympathetic.

But this does not necessarily mean that the Government will dip into its pockets to provide Chrysler with cash. Mr. Michael

Blumenthal, the outgoing Treasury Secretary, may have thrown some straw into the wind during a weekend television interview, when he appeared to favour a partial or complete takeover of Chrysler by a foreign company.

This is in tune with recent editorial comment in the U.S. and reflects some hope that Volkswagen AG's denials in June of any interest in acquiring Chrysler may not yet be the final word on the matter.

Mr. Blumenthal added that the Government should consider some form of help, but only if, first of all, the banks, the insurance companies, the shareholders and the unions

make major sacrifices.

On Sunday, Mr. Douglas Fraser, President of the UAW, repeated that the company's appeal, made on Friday, for a two-year freeze on wage and benefit costs would be unacceptable to his 124,000 Chrysler members.

The situation would be discussed at a special delegate meeting on Thursday but Mr. Fraser emphasised that the UAW would not indicate what concessions it might be prepared to make until it had reached agreement on a new contract with General Motors and Ford. The industry's current contract expires on September 14.

U.S. car sales show a mild recovery

BY OUR NEW YORK STAFF

DEMAND for new cars in the U.S. staged a mild recovery in July but this worked to the advantage mainly of importers, and to a lesser extent General Motors.

Preliminary figures point to an overall decline in sales of 4.7 per cent, compared with a 20.5 per cent drop in June. But whereas General Motors, Ford Motor Company and Chrysler Corporation saw their sales fall by 4.9 per cent, 20.2 per cent and 24.7 per cent respectively, foreign manufacturers boosted their sales by 17.6 per cent.

This enabled importers to

U.S. CAR SALES	July 1979	July 1978	
General Motors	417,933	439,290	down 4.9%
Ford	173,805	217,667	down 20.2%
Chrysler	68,681	92,884	down 26.7%
Volkswagen	15,291		
Other Motors	13,267	12,011	up 10.5%

U.S. market, lower than the record 24 per cent in May but just over 22 per cent of the significantly higher than the more traditional 18 per cent of July last year. Notable performers were Datsun, up 70.1 per cent, Honda, up 28.9 per cent, Mazda up 32 per cent and Subaru up 18.7 per cent.

Altogether total new car sales in July amounted to about \$85,000 compared with \$29,000 a year ago. Imports climbed from 167,500 to about 196,500 while U.S.-built vehicles fell from 781,852 to 688,377.

The sales pattern again indicates that the smaller, more fuel-efficient cars are at a premium.

American Motors, the smallest U.S. car company, last month halted a long series of monthly sales declines and delivered 10.5 per cent more units. Exclusively a producer of small cars, AMC is enjoying a resurgence of interest in its products.

Expressed as a seasonally-adjusted annual rate, July sales ran at about 10.6m units compared with 9.2m in June and 11.2m a year ago. This was slightly better than many analysts had expected and suggests that importers have been able to ship more cars than expected.

Guyana bauxite strike deadlock

BY MUHAMMAD HAMALUDIN IN GEORGETOWN

TWO WEEKS of negotiations have so far failed to resolve a costly strike which has crippled Guyana's state-owned bauxite industry and almost stopped production.

The negotiators are faced with the possibility that their talks could have an impact on an official wage freeze in the public sector, although so far the labour leaders have insisted that this is not the point at issue.

The dispute started on July 12 as a local row involving some 400 workers at the Guyana Mining Enterprise (Guymin) Kwakwani plant, in eastern Guyana, but spread to the other

three plants on July 23, when the Guyana Mine Workers' Union (GMMWU) ordered a full stoppage by its 5,000 members.

It centres on payment of merit increments. The company says it can meet the demands of the union up to a point, after which it would "violate the wage freeze."

Mr. Hamilton Greene, the Labour Minister, has been holding frequent meetings with the Trades Union Congress, the company and the union.

It is the second major stoppage in the industry this year. There is some anxiety in the industry about the impact such stoppages could have on

Guyana's reputation as a reliable supplier, as well as the effects of any lengthening of the current dispute on the 1979 production.

According to Mr. Patterson Thompson, chairman of the Bauxite Industry Development Company, this year's target for alumina will have to be reduced, but it is still possible that some of other products can be met if there is a resumption early next week.

Should the strike last beyond another 10 days, it would be almost impossible to meet any of the year's production targets.

NY mayor sacks his deputies

By John Wyles in New York



Mayor Koch

AS THE DUST begins to settle on a radical streamlining of New York City Government, it can be seen that Mayor Edward Koch may have handed President Carter an object lesson in how to handle sweeping administrative changes without incurring serious political liabilities.

The Mayor's unexpected announcement towards the end of last week that three of his seven Deputy Mayors would be leaving city government, that another two would be demoted, and that he was appointing a new deputy with broad managerial powers, bore several parallels to President Carter's Cabinet changes over the previous two weeks.

Somewhat like Mr. Carter, the Mayor felt that his personal impact on the large bureaucracy at his nominal command was less than it should have been. Also like Mr. Carter, he had felt that he could administer the Government without a touch of the overbearing, and would follow up his instructions and coordinate between City Hall and the bureaucracy.

But after 19 months in office, during which time he has virtually all of his seven deputies, three of them, Mr. Herman Badillo (Deputy Mayor for Policy), Mr. Philip Trimble (Interdepartmental Relations), and Mr. Philip Tom (Finance) will leave the government by the end of the year, while two others, Mr. Ronny Messel (Administration) and Mr. Herbert Starr (Criminal Justice) will relinquish their titles and assume somewhat less senior roles.

Chief beneficiary of the changes is Mr. Nathan Leventhal, currently Commissioner of Housing, Preservation and Development, who will become Deputy Mayor responsible for co-ordination and management of the daily business of city government.

Although both the style and the substance of the Mayor's changes appear to have won general approval within the city, Mr. Koch is taking important risks. The departure of Mr. Badillo strips the administration of one of its sharpest political minds and of the leading representative of the city's Hispanic community.

WORLD TRADE NEWS

Go-ahead on Jordan water supply plan

By Rami G. Khouri

TWO AMERICAN consultants have been given the go-ahead to design an ambitious water delivery scheme in drought-hit Jordan.

Stanley Consultants and Boyle Engineering have teamed up to win a \$4m consulting job to design a water supply system that will pump 120m cubic metres of water every year from the Jordan Valley to the uplands around Amman. The water will have to be raised 1,500 metres from the valley floor to reach domestic and industrial users in Amman and north Jordan.

Design work should be completed by next May, with tenders for construction to be issued shortly afterwards, according to Jordan Valley Authority officials in charge of the project. Total construction cost is estimated now at around \$150m. The scheme should start operation in early 1983.

Jordan has suffered a drought over the past four years, and this year home water pumping has been cut back to once a week.

Total water consumption last year was around 480m cubic metres, most of which went into irrigation. But water supplies from underground aquifers have not kept up with demand, and underground water reserves are being depleted faster than they can be replenished by rainfall and surface water sources.

With total water demand expected to rise gradually to 1bn cubic metres a year by the end of the century, and maximum available supplies of water remaining constant at around 800m cubic metres when rainfall is good, Jordan is heading for severe water shortages.

The new scheme to pump water to Amman from the Jordan Valley will use water that reaches the valley floor from the Maqarin Dam that is to be built on the Yarmouk River, along the northern border with Syria.

This dam is now in the design stage and will not be ready at least five years. King Hussein has ordered an emergency water delivery system to be installed to bring about 10m cubic metres of water a year to Amman from the Azraq oasis, 100 km east of the capital.

Chemical plants for Ireland

By Elaine Williams

TWO EUROPEAN groups are to set up pharmaceutical manufacturing in Ireland. Production of bulk pharmaceuticals by Carat Parfums, a joint venture between Schwalbe of West Germany and the French Beaufour group, will begin in October at Little Island in Cork.

Carat is investing £2.5m in the new plant and will employ 55 people, while Pillmar Pharmaceuticals intends to spend £2m in plant and equipment and hopes to employ 100 people within five years. Pillmar, owned by a Swiss consortium, is to build a new factory at Little Island to make chemical intermediates used in the treatment of cardiovascular infections and nutritional diseases.

Soviet Union and China sign £241m trade accord

BY DAVID SATTEN IN MOSCOW

THE SOVIET Union and China yesterday signed a trade agreement for 1979 providing for a trade turnover of about 350m roubles (£241m).

The accord is a sign of improved relations between the two countries in advance of the opening of Sino-Soviet talks next month.

In past years, the annual trade agreements between the two countries have been signed in early spring, but negotiations were postponed this year at the Soviet Union's request after China's border war with Vietnam.

The agreement took two months to negotiate and not all

its constituent contracts have been signed but deliveries, particularly of Soviet machinery and equipment, have been under way for some time.

The value of trade called for this year is roughly the same as last year's when turnover came to 338.7m roubles (£233.6m) divided almost evenly between the two countries. Chinese officials said the product breakdown is also to remain virtually the same, with the Soviet exporting machinery and equipment and importing fruit, cloth, silk and knitted wear.

The trade agreement was

signed by Mr. Cen Ze, the Chinese deputy Minister of Foreign Trade, and Mr. Ivan Grishin, the Soviet deputy Minister of Foreign Trade.

There has been a lull in anti-Soviet propaganda in the Soviet Press and on June 8 the first favourable Soviet Press report on China in several years was published in the Communist Party newspaper Pravda.

It was a three-paragraph news agency despatch from Peking on an environmental conference and included the information that air pollution in the Chinese capital had been sharply reduced.

£47m Saudi contract announced after lifting of spending curbs

BY JAMES BUCHAN IN JEDDAH

A CONSORTIUM of Japanese, South Korean and local interests in Saudi Arabia have been awarded a \$48m Saudi riyal (£47m) contract to provide the infrastructure for the new diplomatic quarter on the outskirts of Riyadh, the capital.

This follows the lifting last week of a two-month freeze on new Government spending.

Mitsubishi of Japan, Kuk Dong of South Korea and Ibrahim al-Rashid of Saudi Arabia received the contract on Sunday.

It covers electricity, water, sewage, roads and landscaping for the diplomatic enclave which is planned for 70 missions and 15,000 people by 1983.

A master plan for the enclave was completed last year by Senerplan, of West Germany, and it will house by 1983 all the foreign missions and the Foreign Ministry now based in Jeddah.

Seven thousand public housing units, three schools, a health centre, mosques and civil defence stations are also planned as Government contractors lift the enclave.

The contract for the new Foreign Ministry is expected to be let in November.

The total cost of the enclave is expected to be \$r5.5bn, according to Senerplan.

The contract is expected to herald a rush in Government orders since the Cabinet's decision last week to lift constraints on government spending.

In an attempt to keep a rein on spending—there was a \$4bn deficit last year—the Finance Ministry told other Ministries they could not enter into new contracts, even if letters of intent had been signed. This was also designed to allow the

Finance Ministry to reach revenue in the light of new production and price levels and new credit periods for customers agreed since the Budget.

The Finance Ministry yesterday said that the Cabinet had approved its revenue projections in light of the oil price increases but would not indicate if spending targets would be raised.

Saudi Arabia can now expect income well over \$500m in present oil prices, even if oil prices fall to \$10 a barrel in extra production since July 1 is not restricted after the third quarter.

But the Finance Ministry did say it had told Ministries they could spend their whole appropriation this year. Last year Ministries were originally restricted to 70 per cent of their budget although this did not prevent the deficit.

Fokker nears Airbus agreement

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

FOKKER, the Dutch aircraft manufacturing group, is close to agreement on participation in the development of the European A-310 version of the Airbus.

The company may take a 2 per cent stake in the 200-seat aircraft. It already has a 6.7 per cent share in the development and production of the bigger 250-seat A-300 Airbus.

But the deal still depends upon a satisfactory agreement between Fokker and Airbus Industrie over the problem of future aircraft types that Fokker now wish to build, which could rival new projects from Airbus Industrie.

Fokker is anxious to develop a short-haul twin-engine aircraft, the F-29, which although a much smaller aircraft than the 200-seat A-310 might nevertheless be regarded as a competitor in some markets.

More significantly, the F-29 would be a serious rival to any new 120-160 seat Joint European Transport (JET) aircraft that Airbus Industrie might want to build in the 1980s.

Fokker has been discussing the F-29 with various airlines, and wants to settle design and development plans so that launching can take place later this year or in 1980.

Fokker wants to be seen that the Dutch Government would not transfer funds from F-29 development to the A-300 programme. At the same time it would like to feel that any JET programme from Airbus Industrie would not immediately be used to destroy the F-29's sales chances in world markets.

Other hand, cannot be expected to halt its JET plans just because Fokker is working on the F-29 and has a small stake in the bigger Airbus venture. But it could also adopt the F-29 as its JET design, if that aircraft proved suitable.

£20m in joint ventures for Malaysia

BY WONG SULONG IN KUALA LUMPUR

SIX EUROPEAN companies have expressed interest in starting ventures in the Malaysian state of Perak with a total investment potential of over 100 ringgits (£20m).

Mr. Wah Mohamed Wan Teh, the Perak Chief Minister, who recently led an investment promotion mission to Europe, said that among the companies, was the International Trading House

of London which was interested in setting up a 60m ringgit palm oil processing factory.

Fate and Lyle will be conducting a feasibility study on opening up a tea plantation and processing factory in Upper Perak while the Manchester-based firm of Ward and Stone Gold had also indicated its intention to set up an auto-wiring harness factory in the state.

The French concern of Hutchinson Maps was also expected to invest 20m ringgits on a factory to make rubber gloves for export. Interest was also shown by C. Y. Parfums of Helsinki for a factory to process cane line for agricultural and building purposes, and the Frankfurt-based Gummi Metall Technik also was to send a team to set up a rubber mounting factory.

David Gardner in Madrid reports on the development of export financing in Spain's banking system

Focus shifts to Government sector

SPAIN'S recently improved export finance capabilities have been born of necessity, as the domestic economy has slowed and driven manufacturing companies into export markets, some of which have proved equally difficult.

Nevertheless, the trend suggests a new demand, and the Administration responded by increasing both the volume and sophistication of credit financing.

Until 1973, the Spanish private banking system was providing 82 per cent of funds for exports, mainly on a short-term basis. The other source was the Banco Exterior, which provided 16 per cent from its own deposits, and a modest 2 per cent from the first trickle of official credit which the Government had begun to channel through it.

This was the first sign of a radical change in the structure of export finance, which began in 1971 with the state taking a 62 per cent holding in Banco Exterior, and converting it into what is now the major instrument of export credit.

The bank continues to operate as any other private commercial bank, receiving deposits and providing the normal range of services, but it is now obliged to cover up to 30 per cent of its export finance activity from its deposits. At the same time, export credit from the Instituto de Creditos Oficiales (ICO) is channelled through Banco Exterior, in addition, during the past four years, to

special credits provided by the Bank of Spain.

The dynamic effect of these measures on export credit is easily seen from the fact that while, since 1973, total credit for exports has multiplied over five times—from Ptas 4,740m to Ptas 38,600m (£253m)—the Banco Exterior's share of the lending has risen from 15 per cent to just over 49 per cent last year.

The second major mechanism of export financing is through levels of obligatory funding applied to the banks, and from last year, to the savings banks, which hold over a third of all deposits in the banking system. For the banks, this percentage amounts to 3 per cent of their deposits, and for the savings banks, 1 per cent. It is a simple extension of the "obligatory" system which obliges the banks to set aside 23 per cent of their funds for state-backed investment. Those "privileged elements" of credit, as they are known, are channelled towards strategic investment areas at low rates of interest and are a crucial part of the Spanish credit system as a whole.

However, the extension of the system to cover export finance has led to claims in some sectors that in the present atmosphere of high monetary restriction, it is draining off funds from other industries not geared essentially to exports.

With the incorporation of the savings banks into this obligatory system of export financing

for the first time last year, this method provided the largest increase in export credit.

The combined bank and savings bank increase was Ptas 11.7bn, while ICO funds channelled through Banco Exterior rose by Ptas 40bn, as planned.

However, it is these two devices which ensure that Spain retains probably the "fastest" growth rate in export finance in Europe during the past five years, and interest rates below the European average.

Interest rates for loans of up to 12 months are generally around 7.5 per cent or lower. In the case of cash flow injections based on 15-25 per cent of the value of a given company's foreign sales in the previous year, interest rates rise to a maximum 8 per cent. In addition, exporters are entitled to tax relief within a similar band, although the real value of this is reduced by the frequent Government delays in handing it over.

Pre-financing of exports, particularly for capital goods and industrial plant, is also at preferential rates rising to a maximum 7.5 per cent as is the financing of Spanish investment abroad—in practice frequently more preferential than domestic investment.

Medium- to long-term export credit runs on three bands according to whether the country in question is developed, semi-developed, or developing. For suppliers this runs from 7.75 per cent to 7.5 per cent on two- to five-

year spreads, and from 8 to 7.5 per cent on loans of over five years maturity. Credits for purchasers have exactly the same rates, except that they are minimum rates while the suppliers' rate is fixed.

Credit to purchasers has 40 per cent of the major innovation of the past five years. When it was introduced in 1974, Banco Exterior financed exports in this way to the value of Ptas 714m. Last year, however, buyers of Spanish goods were financed to the tune of Ptas 850m from the bank's credits.

The success achieved by this type of credit arrangement has encouraged the Banco Exterior to set up credit lines on a country-by-country basis, particularly in the wake of major diplomatic initiatives.

Two question marks hang over the structure of Spanish export finance. The first and most pressing is that while credit for export is presently cushioning key sectors of Spanish industry, the evaluation of the sector over the past 20 months has again focused attention on domestic stagnation, and the high cost of domestic credit. The second and longer-term difficulty will be expected once Spain begins the task of integration into the EEC. The high proportion of official and semi-official credit channelled through the "privileged circuits" of the system of "credit to capital circulate," and the apparently generous system of tax deduction on export earnings, are other factors which undoubtedly come under a searching light in pre-entry negotiations.

Nicaragua searches for unity after the revolution

Forgiving and forgetting

BY WILLIAM CHISLETT

WILL NICARAGUA, in the wake of the revolutionary overthrow of General Somoza, become a second Cuba and so undermine the shaky stability of Latin American dictatorships, particularly Nicaragua's neighbours, Guatemala, El Salvador, and Honduras?

The question worries "hawks" in the U.S. Administration, but in Nicaragua itself there are far more immediate issues being discussed, as the country struggles to reconstruct itself after the seven-year war.

While comparisons between Fidel Castro's Cuba of 20 years ago and the Sandinista guerrilla victory in the

Nicaragua of today are tenuous, the question is valid. It is highlighted by the recent visit of two members of the Nicaraguan junta to Havana to commemorate the 26th anniversary of the storming of the Moncada Barracks, a key incident which eventually brought Castro to power.

Significantly, the two junta members who went to Havana were Mr. Moises Hassan, a leader of the radical Sandinista-backed United People's Movement, and Mr. Alfonso Robelo, a wealthy anti-Somoza industrialist. The two men have widely different ideologies and interests, but both played vital roles in the Nicaraguan revolution.

It is because this revolution—now a national unification—was so broadly based, involving peasants, intellectuals, clergymen, businessmen, and was directed against one man, General Somoza, and his family's 46-year stranglehold over the country and was not a class war as such, that some comparisons with Cuba are slender.

There is an apocryphal story told of how Castro told Eden Pastora, one of the more moderate Sandinista leaders, that the best thing Cuba could do to help the Nicaraguan cause was to offer no help at all.

Sandinistas have Marxists among their ranks such as Mr. Tomas Borge, the new Interior Minister. Some guerrillas are no strangers to Havana, but as for direct Cuban aid in the Nicaraguan revolution, the U.S. State Department has admitted that Cuba's approach has been "low key" and "cautious," and that it cannot substantiate allegations that large shipments of arms were sent by Cuba via Panama to Costa Rica where the guerrillas based themselves.

Nicaragua is bound to move towards the Left, after so many years of repressive Right-wing rule. The extent of this will depend upon outside and in-

ternal elements. The attitude of the U.S. and whether or not the Nicaraguan private sector responds to the changed circumstances will be determining factors.

The strong anti-U.S. feeling in Nicaragua, which stems from that country's unwavering support for the Somoza dynasty until it became clear that its days were numbered, will mean that the U.S. will have to eat humble pie. America will have to adopt a low profile if it is not to alienate the people further, and thereby radicalise the situation. The U.S. is ready to do all it can to help, to win back some scraps of credibility.

There is a tremendous sense of unity in Nicaragua, which everyone is anxious should not be broken. Mr. Tomas Borge has come out of his way to reassure the private sector that property will be respected and a pluralistic society created. Only Somoza's interests have been confiscated.

The spirit of forgiving and forgetting is equally impressive. Borge has called the Nicaraguan revolution the most "generous" in the world. None of the excesses perpetrated in Iran, after the overthrow of the Shah, have been committed in Nicaragua on the many captured warlords, guilty of abominable acts of barbarism.

There is also a dogged determination to stick to the junta's moderate programmes for the establishment of a state-regulated economy, after five decades of an economy dominated by one family in league with the military.

For the programme to be successful, the private sector will have to accept that lands and businesses will have to be far more socially productive. Already, the nationalisation of the bankrupt private Nicaraguan banks has been accepted by the business community as an economic necessity and not a political act. This augurs well.

Below: Sr. Mario Soares (left), former Portuguese Prime Minister, is embraced by Sr. Tomas Borge, Nicaraguan Minister of the Interior at Managua Airport.



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Dramatic rise in sales preceded higher VAT

By Peter Riddell, Economics Correspondent

SALES of durable goods jumped dramatically during June, ahead of the increase in Value Added Tax. But trade appears to have topped back in the last few weeks.

The volume of sales in durable goods shops rose by 15.1 per cent between May and June. The official index was 166 (1971=100), this was well above all previous months apart from April 1978 when the figure was 168. Sales then were exceptionally high ahead of the introduction of the luxury rate VAT.

Retail sales in all shops in June were nearly 4 per cent higher than in the previous month, according to the final seasonally adjusted index published yesterday by the Department of Trade. This stands at 120.3, slightly lower than the provisional estimate of 121.1.

The buoyancy of retail sales was reflected in a sharp rise in new credit advances by finance houses, other specialist consumer credit grantors and retailers. Total advances in June were £881m, a seasonally adjusted basis, compared with £822m in the previous month.

There are signs that spending in the shops has eased since the increase in VAT was put into effect on June 18. The weekly sales of the department stores of the John Lewis Partnership in the last five weeks have been running only slightly ahead of last year's levels in current prices (net alone in real terms) after showing substantial increases above the 1978 figures earlier this year.

The high level of retail sales in June has meant that the

average volume for the first half of 1979 as a whole was about 14 per cent above the average level for the final three months of 1978.

On the same basis of comparison sales by durable goods shops rose by 4.9 per cent while sales by clothing and footwear shops fell by 1.7 per cent. The volume of spending in other non-food shops, including department stores and mail order business, rose by 1 per cent and food shop sales in

Total advances of hire purchase and other credit in the April-to-June period were 18 per cent higher than in the previous three months. Lending by finance houses and other specialists increased by 25 per cent—reflecting the buoyancy of car sales—while advances by retailers rose by 9 per cent.

The total amount outstanding to all providers of consumer credit was £8.83bn at the end of June, an increase of 24 per cent on the total a year earlier.

HIRE PURCHASE CREDIT AND RETAIL SALES

(Seasonally adjusted)

	New credit extended by		Total debt outstanding (unadjusted)	Retail volume (revised)	
	Finance Houses	Retailers		Total	Durable goods shops
1978 1st	£m	£m	£m	(1970=100)	
2nd	807	545	5,053	104.4	124
3rd	912	647	5,495	107.9	129
4th	956	618	5,785	110.7	134
1979 1st	931	652	6,287	116.3	131
2nd	1,160	709	6,830	114.7	153
1979 January	300	225	4,150	109.6	127
February	312	220	4,226	110.4	137
March	319	207	4,287	110.8	129
April	340	226	4,399	115.4	144
May	320	223	4,597	113.5	144
June	431	250	4,830	120.3	166

Source: Department of Trade

increased by 2 per cent. The value of total retail sales in June was 20 per cent higher than a year earlier, while over the first half of the year as a whole the average value of sales was 15 per cent higher than in the same period of 1978.

Prestcold to import French compressors

By Ray Ferman, Scottish Correspondent

PRESTCOLD IS to import and market in the UK under its own name a range of French refrigeration compressors. They will overtake with class models made at its own Glasgow factories which are to be closed next month.

Unions at the two Glasgow plants, where 900 jobs will be lost, are angry. They say they were told that one reason for the closure was Prestcold's desire to move out of the market for smaller compressors.

Under an agreement to be announced this week Prestcold will import compressors made by L'Unité Hermetique, of La Verpilliere, under licence from Tecumseh, of the U.S.

At the lower end of the range they are similar to Prestcold's commercial models made in Hillington, Glasgow, also under licence from Tecumseh.

although most of the Scottish output is designed for domestic rather than commercial refrigerators and freezers. Prestcold said last night that it was not attempting to provide a substitute for the Glasgow output and that the French imports would not exceed 12.5 per cent of production at Hillington.

"It is a very small part of our business that is involved here," an official said, "but the jobs of our 1,200 employees in sales offices and 1,000 in the remaining two factories depend on Prestcold being able to offer the complete range of commercial refrigeration equipment."

Redundancy terms have been negotiated for the Glasgow plants which will close on September 7.

Last year the Scottish factories lost £800,000. Losses this year are expected to rise to £1.25m.

Bank chairman calls for plan to cut inflation

Financial Times Reporter

A CONCERTED international masterplan to reduce inflation was called for yesterday by Sir Jeremy Morse, chairman of Lloyd's Bank. He told delegates to the international banking summer school in Cambridge that the major nations should agree a programme to get inflation down from an average of 20 per cent to 5 per cent or less in the next two to three years, taking advantage of the recession which the present "oil shock" is causing.

A programme of this sort had been unveiled by the OECD in 1974-75 when the average inflation rate was being reduced from 13 per cent to 8 per cent. "This time it will need to be more comprehensive, involving conservation and development of energy, on which a start was made at the recent Tokyo summit," co-ordination of fiscal, monetary and incomes policies within each country, and mitigation of the adverse effects of continued high unemployment. "It will need more sustained commitment and closer monitoring."

Sir Jeremy also proposed that the major nations should strike a "bargain" with the OPEC nations, on the basis of which the programme would offer the latter a steadier world economy to sell into, less erosion of their currency reserves and a slower depletion of their oil reserves.

"In return for these benefits—and with close monitoring to demonstrate that they were being achieved—the OPEC nations could undertake to maintain a steady flow of oil and to keep the price moving up continuously (not in spasmodic hikes) at something under the average rate of inflation."

In this way they, too, would contribute to a return to lower inflation rates in the world, which was the prerequisite for stable and sustained growth, Sir Jeremy said. He went on to warn that in the absence of such a master plan the world could only look forward to third, fourth and further oil shocks, each slowly increasing the risk of one or other major catastrophe.

Motorfair to sue over 'exhibition agreement'

By Kenneth Gooding, Motor Industry Correspondent

THE ORGANISERS of Motorfair, a car show to be held at Earl's Court, London, has instituted legal proceedings against the Society of Motor Manufacturers and Traders (SMMT).

SMMT members, who include most of the UK-based vehicle manufacturers and importers, have agreed not to support Motorfair but instead to concentrate their efforts on the SMMT-sponsored International Motor Show to be held in Birmingham in October.

Earl's Court and Olympia Ltd, organiser of Motorfair, has asked the High Court to grant an injunction restraining the SMMT from giving effect to its exhibition agreement.

It has also lodged formal applications with the Office of Fair Trading and the European Commission about the agree-

ment.

The SMMT said last night it will contest the proceedings. Mr Christopher Stewart-Smith, chairman of Earl's Court and Olympia, a subsidiary of Town and City Properties, said that the action was an attempt to clarify the long-term position of the exhibition agreement.

"We think it right and reasonable for London and the SMMT to have their own motor show and the agreement could act as a damper on the show in future."

CLUBS

FYE has outlined the others because of a number of fair play and value for money. Support from 10-15.50 a.m. and 1.30-2.30 p.m. on the same day. Evening sessions, 7.30-10.30 p.m. on the same day. Floor shows, 10.30-11.30 p.m. on the same day. GARRIGLEY, 55, Dean Street, W.1. NEW STONE, 11, Grosvenor and 4, Grosvenor. All you like it. Mon-Fri. Closed Saturdays. 01-437 8488

Five replacements for health rebels

By Lisa Wood

THE GOVERNMENT yesterday announced the appointment of five commissioners to take over the duties of 33 members of a rebel South London Area Health Authority.

The rebel members of Lambeth, Southwark and Lewisham AHA were suspended by Mr. Patrick Jenkins, Social Services Secretary, after they voted not to cut spending by £5m to stay within Government spending limits.

Minority

The five commissioners, who will immediately look into ways cuts can be made, will be led by Sir Frank Hartley, a chemist and former Vice-Chancellor of the University of London.

Two former members of the dismissed AHA, who were among the minority of seven who voted for cuts, have been included. They are Sir John Pridoux, a director and former chairman of the National Westminster Bank, and Miss Peggy Nuttall, a former editor of Nursing Times.

The other two commissioners are Mr. Geoffrey Templeman, Vice-Chancellor, University of Kent, and a member of the South East Thames Regional Health Authority, and Dr. David Williams, former Dean, King's College Hospital Medical School. The Government's appoint-

ment of the commissioners has been swift—a mere six days after the AHA members were suspended.

Some observers believe this was in order to avoid overt discontent among the Labour minority on the area's regional Health Authority, which meets this Thursday. Sir John Pridoux, chairman of the South-East Thames RHA, last week agreed to temporarily take over the functions of the AHA without holding a full-scale meeting of the authority.

The appointment to the commissioners may have averted a dispute within the RHA but there is still large-scale discontent over the suspension of the AHA members and the cuts.

Difficult

Mr. Ted Knight, leader of the Labour-controlled Lambeth Council and a member of the Regional Health Authority, said: "We can make life difficult and we will certainly not co-operate in making cuts."

Mr. Harry Barker, the National Union of Public Employees Greater London divisional officer, said his union would be holding a branch secretaries' meeting today. He believed they would decide not to co-operate with the commissioners or with any cuts.

Quick start to new round of North Sea exploration

By Ray Dafter, Energy Editor

THE offshore industry has made a quick start on exploration under the latest round of North Sea oil and gas licences.

Arco Oil Producing, a subsidiary of the U.S.-based Atlantic Richfield oil corporation, has started to drill an exploration well on block 20/1 in the Moray Firth area only five days after the sixth-round licence was issued by the Energy Department.

The well, some 65 miles north-east of Aberdeen, is being drilled from the Odeco Ocean Voyager, a semi-submersible drilling rig anchored in 311 feet of water. Arco operates an offshore joint venture group with British National Oil Corporation.

Arco said yesterday that the well marked the start of a drilling programme of two adjacent blocks, 20/1 and 14/26.

The quick response by Arco will come as some relief to the Energy Department which has become concerned about the low level of exploration activity in the North Sea. Mr. David Howell, Energy Secretary, has told the offshore industry that he will allow companies greater operating freedom, with less involvement of ENOC, on the understanding that they step up their rate of exploration drilling.

It was hoped that companies would begin drilling on sixth-

round blocks this year although the main impetus to exploration is expected to come next summer.

So far 14 of the 42 blocks conditionally awarded under the sixth round of licences have been confirmed by the Government. Another batch of licences is expected to be ratified within a few days.

Already the Energy Department is preparing to offer companies a seventh round of licences which should give exploration work a further boost in 1981.

ENOC has called on the Government to make its licence drilling requirements much tougher. This follows an internal study which—as reported in the Financial Times yesterday—shows that some companies have failed to drill

on blocks awarded to them in previous rounds of licences.

The results of this study were challenged yesterday by Mr. George Williams, director general of the UK Offshore Operators Association. He said that the statistical analysis gave a misleading picture of the industry's exploration record.

"I wish people would give the oil industry some credit," he said. "It has brought this country almost to the point of self-sufficiency in oil in a very short time and in one of the most hostile environments that exists. We should be given credit for that."

The ENOC study shows that of the 371 blocks and part blocks allocated in the first four rounds of licensing and still held by offshore operating groups, some 38 per cent remain unexplored.

BSC shares in oil deal

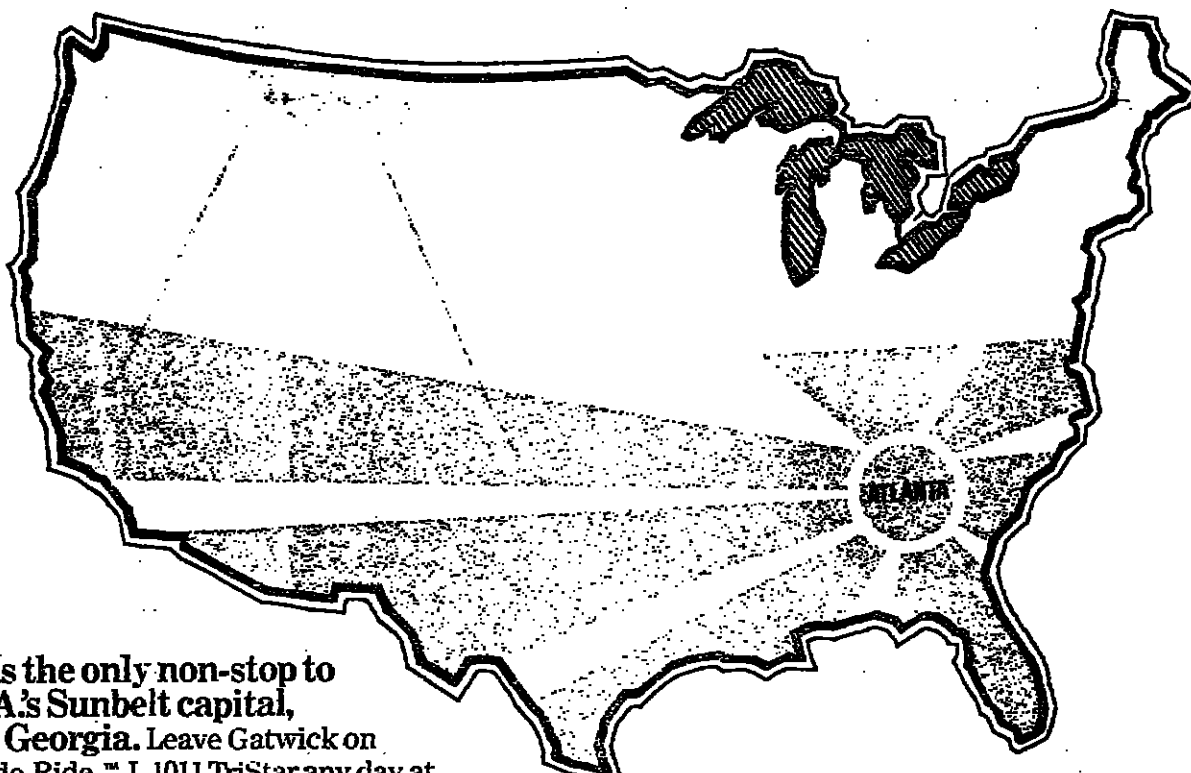
AN INTERNATIONAL consortium, including British Steel Corporation's Redpath Dorman Long (International) subsidiary, is to share in a \$30m (\$90m) Brazilian oil platform construction contract.

The contract, awarded by Petrobras, the Brazilian state oil company, covers the design, engineering, construction and installation of the platform to be

located offshore in the Campos Basin. It will be installed in a water depth of 170 metres in the Namorado Field.

Sharing in the work with RDL will be Tecnica Nacional de Engenharia (Tenenge), a Brazilian contractor; Fabrica Estruturas Metalicas (FEM), a Brazilian structural steel company; and Heerema Marine Contractors of Holland.

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UK NEWS

Ulster to close Irish coin loophole

NORTHERN IRELAND banks will no longer change 50p, 10p and 5p pieces from the Republic of Ireland at par with British coins from the end of business next Monday. They will continue to do so for 2p and 1p coins.

Most Irish coins, like Irish banknotes, will thus become foreign currency in Northern Ireland. It is estimated that the £10m total of change in circulation in the province, £8m is southern Irish.

The main reason for the move, which was announced by the Northern Ireland Bankers' Association in Belfast yesterday, is the exchange loss involved in accepting Irish coins at par. For the past five months the Irish pound (punt) has been at a discount to sterling.

The association estimates the loss at about £1m since the currencies split in April. The disparity in values between the punt and sterling began just over a fortnight after the European Monetary System started in March with Ireland as a member while Britain remained outside. Ireland had hoped to maintain parity with sterling, if only because nearly half its trade is bound up with Britain.

The strength of sterling, however, would have obliged Ireland to break the upper limit of the 21 per cent fluctuation margin permitted to the punt within the EMS. The link was broken, and for the first time Ireland imposed exchange controls against the British pound.

Confusion

In Northern Ireland, where the two currencies were totally interchangeable, shopkeepers and publicans refused to accept Irish notes at first.

Confusion was compounded because the four main banks in Northern Ireland—the Northern, Ulster, Provincial and Bank of Ireland—have for long issued their own notes.

Mr. Ration Founder, secretary of the Northern Ireland Bankers' Association, said: "We had a great deal of trouble getting shopkeepers to accept Bank of Ireland notes." They had always done so in the past but were now confused because the bank's name suggested that it should be the country's central bank, which it is not.

Now the situation is clearer. Virtually all shops, restaurants and public houses will accept Irish banknotes but at the rate of 50p for £1. The punt in foreign exchanges was fetching 91p yesterday.

Campaign to restore confidence in DC-10

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

McDONNELL DOUGLAS, the U.S. manufacturer of the DC-10 jet airliner, has begun a major world-wide advertising campaign to restore customer confidence in the aircraft, after the crash at Chicago in late May which killed 273 passengers and crew.

The large display advertisements, appearing in national daily newspapers and prominent news magazines, are designed to reassure would-be travellers that the DC-10

comes from the same high-technology team that helped to put men on the moon in the Apollo programme. McDonnell Douglas will not say how much the campaign is costing, but it is thought likely to be several million dollars.

The company is just as concerned about its image with buyers of the DC-10. So far, no orders have been cancelled, although last week, unconfirmed reports suggested that Alitalia of Italy might buy Boeing 747 Jumbo jets instead

of more DC-10s. McDonnell Douglas wants to ensure that it goes on selling the DC-10 through the 1980s, when it expects to pick up orders from new customers, and follow-on orders from existing customers.

The advertisements will be appearing in the UK over the next few weeks in the Daily Telegraph, Financial Times, Guardian, Express, Daily Mail, the Observer, Flight International, Economist and Punch.

W. German nuclear reactors significantly better, says study

BY DAVID FISLOCK, SCIENCE EDITOR

NUCLEAR REACTORS built by West Germany have performed significantly better than those built by any other country, according to an analysis of light water reactors built in the last 10 years.

The study, carried out at Imperial College, London, seems to have implications for the choice of an overseas partner to build a demonstration light water reactor in Britain. But it is understood that the electricity supply industry has already chosen a U.S. partner.

The study was made by Dr. Nigel Lucas, of the Department of Mechanical Engineering at Imperial College and an energy adviser to the House of Lords, and Mr. P. J. Thompson, now with Brown Boveri in Switzerland. They analysed the performance of 106 light water reactors in Europe, the U.S. and Japan.

The analysis was based on the figures for "capacity factor"

filed by reactor owners with the International Atomic Energy Agency in Vienna.

Capacity factor is defined by the researchers as being the electricity (gross) produced by the reactor divided by the electricity capacity expected by its designer.

The researchers conclude that the performance of the 62 pressurised water reactors (PWRs) has increased strongly and continuously with time, but that boiling water reactors (BWRs) have developed far less well.

Their analysis discloses five key points in the performance of the reactors studied.

Differences

First, there were significant differences between reactors made in different countries, with German plants showing markedly better capacity factors than those from other countries.

Second, there was some fall in performance with increasing size of the reactor. Third, there

was a marked chance of a reactor improving with age.

The fourth point is the learning effect as reactor builders gain experience. Finally, the researchers demonstrate that there is still much room for improvement in reactor performance overall.

One problem they encountered was the difficulty of assigning a start-up date for some reactors, particularly those in Japan. The owners tended to withhold performance figures until the reactors were performing reasonably well. This could lead them to provide cumulative electricity figures covering more than one year of operation, giving capacity factors apparently in excess of unity for the first year of operation.

Age, size and learning effects in light water reactor operation, by N. J. D. Lucas and P. J. Thompson, Department of Mechanical Engineering, Imperial College, London SW7 2BX, £100, (£250 airmail).

Petrol tax rise 'unnecessary'

THE GOVERNMENT was told yesterday by the Royal Automobile Club that even if it abolishes the £50 car excise licence it should be unnecessary to increase the petrol tax.

In a letter to Sir Geoffrey Howe, Chancellor of the Exchequer, the RAC said the recent budget increases in motoring taxes were expected to produce about £855m more a year.

This it said was about the same as the amount needed from extra petrol tax to compensate for the abolition of

vehicle excise duty.

Mr. Jack Williams, RAC policy committee chairman, said: "This will raise the total revenue from motoring taxes to about £66m a year, whereas the Government's current spending on the new trunk road system is now only at a level of about £60m. Therefore, if it should still intend to abolish the vehicle excise duty there should be no further increase in petrol tax."

At present about half the price of a gallon of petrol is excise duty (£7p) and Value Added Tax.

The RAC said it felt that in any event petrol tax should be reduced as soon as possible, because the burden of motoring taxation was excessive in relation to Government spending for motorist benefit.

The Labour Government's proposals to abolish vehicle excise duty were met with vigorous opposition by road transport groups. Mr. Norman Fowler, their recent Transport Minister, has said that instead of going ahead with Labour's plan he will be reviewing the whole operation of the tax.

LABOUR

Civil servants weighting increased

BY OUR LABOUR STAFF

CIVIL SERVANTS working in London are to receive increased weighting allowances back-dated to April 1, implementing an accurate updating of the former Pay Board's report of 1974.

About 100,000 civil servants, working in inner London, defined as up to a five miles radius from Charing Cross, will receive £780 a year. About 50,000 civil servants in outer London, from Charing Cross, will receive £735 a year.

Previous allowances had stood at £524 per year for inner London and £275 for outer London. The settlement will be financed out of existing cash limits.

Mr. Bill Kendall, the secretary-general of the staff side of the Civil Service National Whitley Council said the settlement represented an accurate updating, using official Employment Department figures, of the Pay Board's 1974 report on London weighting.

Rates had not been correctly adjusted last year because of income policy restraints and the refusal of the last Government to permit arbitration. The April 1 settlement date had also been protected by the new settlement.

TV clash coming to a head

BOTH SIDES involved in the independent television pay dispute indicated yesterday that it was coming to a head after the three unions concerned had rejected a 15 per cent offer.

The Independent Television Companies' Association, representing the 15 commercial stations, wrote last Friday to the National Association of Theatrical, Television and Kinematograph Employees, the Electrical, Electronic, Telecommunication and Plumbing Union, and the Association of Cinematograph, Television and Allied Technicians, threatening to suspend their members who were not working normally.

Two television companies, Yorkshire and Harlech, have already suspended their electricals. Harlech did so on August 3 and Yorkshire yesterday. Both maintained a service, although Harlech had to drop its coverage of the Welsh National Eisteddfod.

Mr. Jack O'Connor, the ACTT's national independent television officer, complained that the companies had not been negotiating seriously. He said no meeting had lasted more than 40 minutes.

The ACTT has not mentioned a percentage figure in its claim but estimates that the shortfall in pay is 27.2 per cent. It is prepared to take its case to an outside body for examination. The Advisory, Conciliation and Arbitration Service has been closely watching the situation but has not been asked to intervene.

Perkins key men walk out

PRODUCTION at the Perkins diesel engine plant in Peterborough is threatened by a strike of 140 key workers. They are all engine testers who refuse to accept new technology until they get more pay.

They walked out yesterday after being told to report for work on a new 22m test cell which will streamline procedures for testing 1,000 test engines which leave the plant daily, mainly for export.

Negotiations over a new pay deal involving 100 engine testers have broken down. But the company sent out letters saying that they intended to operate the new facility.

The strike started as the men returned to work after their two-week summer holiday. A prolonged standstill will halt production lines. Finished engines will not be able to leave the factory.

The management sent last night 140 men stopped work when the company informed them of their intention to ask specified individuals to attend a training session in connection with the new test cell complex. Their work areas have not been affected so far.

Earlier this year, production at the plant, which is one of the world's biggest producers of diesel engines was halted for five days when 7,000 workers came out on strike over a pay claim.

Chancellor to see union on Customs staff cut

BY GARETH GRIFFITHS, LABOUR STAFF

A MEETING is to be arranged between Sir Geoffrey Howe, Chancellor of the Exchequer, and representatives of the Society of Civil and Public Servants to discuss union grievances over Government cuts in the Customs service.

The union yesterday asked the Chancellor for a meeting this week. Some of its members have been working to rule since Saturday in protest at plans to cut 1,800 customs jobs this year. Their action is planned to last two weeks.

A Treasury spokesman said last night that Sir Geoffrey wanted to meet union representatives soon. The SCPS met the Chancellor at the beginning of July before the cuts were officially announced.

Union officials will tell the Chancellor that the cuts will leave the UK open to wide

spread Customs evasion. Seizures of contraband goods, one third of them drugs, have more than doubled since the work-to-rule began.

The SCPS will repeat its argument that staff cuts will lose the Treasury revenue. Miss Judy McKnight, national officer for the union's customs section, said that at their last meeting the Chancellor had seemed prepared to accept revenue loss rather than change his policy on Civil Service cash limits.

About 6,000 Customs officer members of the union and 2,000 clerical staff of the Civil and Public Services Association are involved in the work-to-rule. The SCPS called the effect last weekend "spectacular" and said it was pleased with the support it got.

Miss McKnight said she thought the public was becoming more sympathetic to the Customs officers' case. The

action had demonstrated the union's belief the UK was wide open to smuggling.

She hoped the Chancellor would show that he shared the union's concern over Customs evasion and reconsider the proposed cuts. The Customs and Excise Department has stopped recruitment since April. It was the first department to introduce specific plans for a 3 per cent reduction in Civil Service staffing.

Delays at airports and ports are not expected to be serious during the week. Yesterday passengers experienced minimal delays, most of which were blamed on heavy holiday traffic.

The Department of Customs and Excise last night said that any contraband has been seized since the work-to-rule began but attributed part of the increase to a peak holiday period.

ICI workers may accept 15%

BY OUR LABOUR STAFF

ICI manual workers were believed yesterday to have voted to accept a pay offer worth more than 16 per cent overall.

With more of the votes counted, members of the Transport and General Workers' Union are thought to have accepted the offer by about three to one. Members of the General and Municipal Workers' Union are understood to have accepted by about three to two.

The final result of the ballot should be known tomorrow. The negotiations have been difficult partly because the unions have been attempting to agree on pay differentials and competing claims between general and craft unions.

The craft unions, however,

are also thought to be on the point of accepting.

The company's offer, which covers 50,000 workers, would give 12 per cent increases to the lowest grade and 18 per cent to the highest, ranging from £8.94 to £13.63 a week.

The unions said yesterday that they were receiving notice of further settlements in chemical companies covered by the industry's national agreement which ended in June.

Unions have instructed local negotiators to ensure deals above the national claim. But negotiations with some companies have been difficult, and some shop stewards may request powers to call industrial action.

Chemical industry unions

have suspended their involvement in the industry's sector working parties while they try to clarify the Government's view of "industrial strategy".

Strike by 8,000 at Pilkington

A 24-HOUR strike by 8,000 Pilkington workers will take place today in support of a pay claim. The process workers at the UK's biggest glass manufacturer have rejected an overall 15 per cent offer with rises in basic rates of between 11 and 12 per cent.

On Thursday 34 senior convenors from Pilkington plants in St. Helens, Scotland, Yorkshire and Wales are meeting in St. Helens.

Mr. David Warburton, General and Municipal Workers' national officer, said: "There is a possibility of them considering further action."

"The company is saying, 'We have made an offer and we are not going to be moved.' I am still anxious to sit down and negotiate but they show no signs of doing so."

The company says that new productivity and shift payments negotiated earlier this year its total wage bill would increase by 20 per cent.

Bus fares up

LONDON COUNTRY Bus Services, the south-east subsidiary of the National Bus Company, plans to increase fares by 10 per cent from September 9 to cover rising fuel costs.

Indian bank staff back at work

BY OUR LABOUR STAFF

CLERICAL STAFF at the five principal Indian banks with offices in the City returned to work yesterday after their unofficial walk-out on Friday in a dispute over pay. Further negotiations are expected later this week.

The Banking, Insurance and Finance Union, which negotiates for the staff, is attempting to secure the same level of settlement in foreign and domestic banks as it and the clearing bank staff associations, achieved in the English clearing.

The union has also been trying to make up what it considers to be ground lost in pay rates within a number of foreign finance houses, including the Indian banks.

Salary rates

Mr. Steve Gamble, union assistant secretary, said yesterday that the Indian banks' offer involved increases of 184 per cent on salary rates for clerical staff and 19 per cent for senior grades.

He said negotiators were concerned at what they say are

generally lower levels of pay in the Indian banks compared to those in the clearers.

Many of the foreign banks do not have the equivalent non-unionable payments, on top of salaries, that are provided in the English clearers. With profit sharing schemes and the 21 per cent annual bonus, this averages 6 to 7 per cent.

Central negotiations for the Indian banks cover the Bank of India, the Bank of Baroda, the State Bank of India, United Commercial and the Central Bank of India.

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The Debentures called for redemption, each in bearer form with coupons attached, and each of \$1,000 principal amount and bearing the prefix letter M, are:

All Debentures bearing numbers ending in the digits 29, which Debentures lie in the range 000029 through 019929, inclusive.

All Debentures bearing numbers ending in the digits 63, which Debentures lie in the range 000063 through 019963, inclusive.

All Debentures bearing numbers ending in the digits 81, which Debentures lie in the range 000081 through 019981, inclusive.

Those Debentures bearing numbers ending in the digits 19, and which lie in the range 000019 through 019919, inclusive.

The Debentures specified above are to be redeemed for the said Sinking Fund at the option of the holder (a) at the Multinational Corporate Bond Services Department of Citibank, N.A., Trustee under the Indenture referred to above, 111 Wall Street—2nd floor, New York, New York 10043 or (b) subject to any laws or regulations applicable thereto, at the main offices of Citibank, N.A. in Amsterdam, Brussels, Frankfurt (Main), Geneva, London (Citibank House), Paris, and the main office of Banque Generale du Luxembourg S.A. in Luxembourg. Payment at the offices referred to in (b) above will be made by check drawn on, or transfer to a dollar account maintained by the Holder with a bank in The City of New York. On the Redemption Date such Debentures shall become due and payable at the Redemption Price and on and after such date, interest on the said Debentures will cease to accrue and the coupons for such interest shall be void.

The Debentures specified above should be presented and surrendered at the offices set forth in the preceding paragraph on the said date together with all interest coupons maturing subsequent to the Redemption Date. Coupons due September 1, 1979 should be detached and presented for payment in the usual manner.

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July 31, 1979

The pipes! from war to O-level



Other men's jobs: Ray Perman tells of the notes to be found in the skirl of the pipes

IN THE OLD days, says Alistair Sinclair, bagpipers were a weapon of war rather than a musical instrument. The cynical, the intolerant and the unempathetic, even among Scots, might say that the statement was still true.

But nevertheless, the pipes and pipemakers are enjoying a boom period just now which is giving craftsmen like Mr. Sinclair all the business they can handle.

The manufacture of Scotland's most characteristic product has, like all industries, had its ups and downs and has its complaints to make. Of bureaucratic interference for example: nothing so simple and harmless as high level inter-ordinate function or EEC directives.

Pipemaking was banned by the Government for a lengthy period after a little local difficulty in 1955. A drastic move, although Paddy Prince Charlie, a staunch ally of free enterprise, was a little ahead of his time in his ideas on regional development.

There have been other problems—two major redesigns to keep pace with market demand to second drone added in the 16th century, a third only 200 years later, and a switch to more expensive imported raw materials.

When the curries of yesterday were contrived with pipes made from local-grown bogwood or newtown, today's discerning musicians demand the most African blackwood.

With a new in demand that even the Highland clearances failed to stifle and the increase in unit costs, it is little wonder

that someone—an Irishman—is making pipes in plastic. But Scotland remains true to the old traditions—and although we have it on the authority of the Scottish Development Agency that "the bagpipe existed throughout Europe from Ireland to Macedonia" in the Middle Ages—for most people, from Breton folk singers to Gurkha bandmasters, bagpipes are now synonymous with Scotland.

For most of the handful of pipemakers working at the trade today, wood turning is in the blood. Alistair Sinclair took over the business of Wm. Sinclair and Son of Leith from his father, who retired not so much to devote himself to a life of leisure, but more to escape from the troublesome form-filling and account-keeping which goes with running a company. In fact he went back to the satisfaction of the basic craft.

The Sinclairs originated in Caithness. Great-grandfather made fiddles for pipes. Grandfather progressed towards making the whole instrument when he made the trek south to Leith in the 1850s. And William Sinclair taught Alistair the skills 16 years ago. The apprenticeship is five years long and exacting.

A pipemaker has to learn not only how to turn wood, but how to make his own tools. The specialised chisels and gauges are not manufactured com-

mercially. He must know the basic characteristics of the pipes and of the wood, the shapes and sizes of the bores and stems that will give the drones their unmistakable note and the chanter, on which the tune is played, its perfect pitch.

Although the basic dimensions are common to all pipes, the patterns of them differ from manufacturer to manufacturer and from craftsman to craftsman. They are not written down, there are no drawings to follow.

The apprentice develops his own style so that in his colleagues in the workshop it is as distinctive as a signature, although each set of pipes must be recognisable as the product of the company.

It is possible to buy a set of pipes straight from the shop—or the post if it were. But if you want a set of Sinclairs they will be specially made for you and you must be prepared to wait nine months in a year and pay anything from £200 to £1,500.

Even for that modest lower price you will get a hand-crafted instrument on which even the plastic fittings, those which the ends of the drones and chanter are hand-turned on the lathe rather than mass-produced in a mould. Pay a little extra and you get ivory instead of plastic. For the top price all your fittings will be made of

silver, hand engraved with either a thistle or a Celtic knot pattern.

The bags, contrary to the popular belief, are not pipe bladders; they would probably not be strong enough to withstand the pressure when a set of pipes is in full shirl. They are hand sewn from either sheep skin or cow hide and impregnated with a mixture of glycerine, glue and disinfectant to make them airtight.

The choice of material is important, since the bag must hold a certain amount of moisture to keep the instrument in best condition.

The final embellishment is the tartan which covers the bag and joins the drones in a ribbon. The customer specifies his own tartan according to his clan or his band. Edinburgh Police Band, for example with a hint of Celtic pride, chooses that of Charles Edward Stuart—Bonnie Prince Charlie.

One of the legacies of empire is a prohibition of pipe bands all over the world, so about half of the 1st or 2nd set made a year go abroad and the home market looks secure.

"Piping is now being taught in schools in Scotland—you can actually take an O level in it—so there is a big demand from that direction," says Alistair.

Tomorrow: British Rail Frozmen



Mr. William Sinclair and his son Alistair

Small businesses criticise planners

FINANCIAL TIMES REPORTER

LOCAL AUTHORITY policy towards small businesses has been criticised in a report submitted by the Association of Independent Businesses to the Greater London Council.

The report recommends greater flexibility in local authority planning policy. It claims the GLC's priority should be to recognise the importance of smaller companies when designing planning and rating policies.

"Planners should abandon their preference for all-at-once redevelopment, and the preference for zoning localities for single use," says the Association.

"Businesses begin from the home should be recognised and encouraged; greater use should be made of old premises; zoning restrictions should be minimised and based on the criteria of actual disturbance, not by classification; planning decisions should be speeded up; and local authorities should be discouraged from building up and retaining large land banks."

The Association says that one way of ensuring a better response by local government to small business needs would be to follow the national Government's example in appointing a small business minister to co-ordinate the work of various relevant departments.

But it is strongly against any local government initiatives either to provide finance or information for small businesses. It considers that this would be an ill-advised use of public funds.

The Association does not believe that local authorities have the ability to pick successful ventures. It feels that authorities would, on occasions, resort to political criteria instead of commercial sense when selecting recipients for funds. It is also concerned over the "decided risk of growing competition between various levels of government to attract a finite number of businesses using ever more generous offers of public money."

Construction outlook bleak

BY MICHAEL CASSELL

THE RECOVERY in output by the construction industries in 1978 will not be maintained this year or next, according to the latest joint forecasts from the Building and Civil Engineering Economic Development Committees.

Total output last year rose 7 per cent, the first annual increase since 1973, but prospects have "taken a turn for the worse" largely because of the reduction in planned public expenditure.

The committees say that public sector housing will be worst affected in the construction sector. They suggest that the decline in public housing will continue throughout the rest of 1979 and in 1980 although it may stabilise in 1981, implying a 47 per cent reduction in output since 1976.

Public housing starts—including those made by new towns and housing associations—fell from a peak of 174,000 in 1975 to 107,000 last year. The committees expect work to begin on 90,000 public sector homes, at most, during 1979. Next year, and the year after they forecast only 85,000 starts.

Completions this year, they say, should reach 110,000, against 131,000 in 1978, falling to 100,000 in 1980 and to 85,000 the following year.

In private housing about 20,000 fewer starts are predicted for 1979, compared with the 1978 total of 157,000—the highest annual figure recorded since 1973.

The committees say that their last forecast for 1979 of about 145,000 is unlikely to be achieved, largely because of fiscal and monetary measures in the Budget. Such an annual output would call for an average of more than 13,000 starts a month during the rest of the year and there was no hint of that.

But with expectations that the building societies next year will be able to improve on their 1978 lending programme, the committees predict that private housing starts in 1980 will rise by 5,000 to 140,000, with a further increase to 150,000 in 1981.

In the public sector, excluding house building, two further years of decline are expected, with output this year repeating the 1978 fall of 3 per cent and falling by 4 per cent in 1980.

The committees say that although the Budget cuts may have little immediate impact on construction, except on water and sewerage schemes, further and larger cuts outlined by the previous Government seem inevitable, and this assumption has been built into their projections. Civil engineering is expected to suffer more than ordinary building.

In the private commercial sector the strong recovery of 1978 when output rose 13 per cent, is expected to moderate to about 6 per cent this year, with a further 2 per cent increase in 1980. Little change is expected in 1981.

Private industrial work this year is predicted to rise 2 per cent after a 9 per cent last year, but a 2 per cent drop in 1980 is likely to be followed by one of 4 per cent in 1981. Repairs and maintenance—largely

responsible for the industry's overall improvement in performance in 1978—are expected to rise 4 per cent this year, remain stable in 1980 and rise 2 per cent in 1981.

Mr. Richard Hermon, director-general of the National Council of Building Material Producers, said yesterday that unless the continuing decline was halted, the industry's ability to meet any upsurge in demand could be jeopardised.

Construction Forecasts—1979-80-81. Building and Civil Engineering EDCs, HMSO and NEDO Books, Steel House, 11 Tothill Street, London, SW1, £3).

Call to speed sales of petrol by metrication

FINANCIAL TIMES REPORTER

BECAUSE OF the rising price of petrol the Motor Agents Association has asked the Metrication Board to try to speed up metrication of forecourt pumps.

Most pumps cannot record prices higher than £1.99 a gallon. Some, whose limit is 99p, show prices in half-gallons.

As the limitation affects more than half Britain's 100,000 pumps the Metrication Board is to seek support for the change from oil companies and equipment manufacturers. Oil companies have been invoicing garages in litres for the past two years.

Gloom over textiles despite higher output

BY RHYS DAVID, TEXTILES CORRESPONDENT

PROSPECTS are gloomy for Britain's clothing and textile industry, say manufacturers—in spite of high levels of activity in many sectors and optimistic forecasts from retailers.

This is one of the main conclusions of the latest CBI-NEDO survey of trends in the industry—a quarterly exercise aimed at providing manufacturers with an overview of developments throughout the textile field, from the processing of raw materials to the shops.

The main loss of confidence in manufacturing is over export prospects, with all 20 sectors covered—ranging from shirts and dresses to worsted weaving and man-made fibres—more pessimistic about the future.

Orders Most describe their export order book as below normal.

This pessimism contrasts both with the findings of the last survey and with the state of trade reported elsewhere by manufacturers. All end-product sectors—those supplying finished goods to the shops—

report a rise in the present volume of new orders. More than half the upstream sectors—those making yarn and fabrics—make a similar comment.

Most sectors also report increased output, and all end-product sectors and a majority of upstream sectors expect output to continue to improve. Skilled labour shortages rather than sales or orders are also seen in the end-product areas as the most likely constraint on output.

As in other recent surveys, the retail sector remains relatively optimistic. The sector has been benefiting for more than a year from a high level of consumer expenditure. It is expecting this to continue as a result of higher incomes in the autumn, when lower levels of tax and higher wage settlements come through.

In spite of retailers' predictions of good levels of trading, manufacturers expect their order books to worsen, leading to reductions in output. They appear to be gearing down accordingly.

● NEWS ANALYSIS—NEWSPRINT PRODUCTION BY JOHN LLOYD

Dollar fall threatens UK manufacturers

Food industry 'misses European opportunities'

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

BRITAIN'S food and drink industry has become less competitive since Britain joined the EEC, according to an article in the National Westminster Bank quarterly review.

The article, by Mr. John Nicholls, of Bath University School of Management, says that Britain joined the EEC with the second largest food industry in the world after the U.S.

He went on saying that this made the UK food and drink industry self-sufficient and meant it looked forward to a prosperous future both in the UK and Europe. "But far from prospering, profitability slumped and severe cash flow difficulties were experienced."

The article suggests that the "successful" EEC's institutions built with the exporting of convenience foods, "many of the opportunities which seemed to be present before accession now appear to have gone, and the UK industry is almost certainly less competitive in an EEC context today, than it was in 1972."

Opportunities lost by UK companies, according to the article, include import savings in the meat and dairy sectors.

Best sugar has prospered at the expense of cane sugar as expected, but the margarine industry has not been able to expand as expected because of EEC and UK Government intervention on behalf of butter, the article says.

Mr. Nicholls also suggests that the UK industry's production efficiency has been brought into question since the UK joined the EEC. He concludes that the blame does not largely lie with the EEC's institutions but with the UK's domestic recession, intense competition in grocery retailing, and UK Government intervention.

THE WEAKNESS of the dollar is now threatening the future of newsprint production in the UK. Both Bowater and Reed, the two British manufacturers, have warned customers that they may be forced to withdraw from the market and these warnings do not seem exaggerated.

This is especially the case with Bowater. It is the larger of the two, producing 225,000 tonnes a year, most coming from its plant in Ellesmere Port. In the first half of this year, newsprint has lost the company £1.45m; over the past five years, the division has had an indifferent record.

For Dr. Ingram Lenton, the chairman of Bowater UK, it is particularly galling to see losses, for he has put Ellesmere Port in the top 25 per cent of the world's paper mills' efficiency league, and pays tribute both to workers and management.

Reed is less hard hit, since it has something of a protected market in Mirror Newspapers, and uses a lower cost raw material, waste paper. But it, too, has made losses on newsprint and appears determined not to go on doing so.

Currency clause

Both producers have been hit by the operation of a currency clause, to which they reluctantly agreed in 1977, which has forced them to return to their customers up to £50 a tonne (on a posted price of £255 a tonne) as the dollar sank against the pound. For the Canadian suppliers—whose currency is even weaker than the U.S. dollar, now standing at C\$2.70 to the pound—the currency clause has been no problem, and they have been able to keep prices down. Last month, the British producers gave up the unequal

struggle and raised their new prices. Bowater coming out at £233.68 a tonne and Reed at £228.50. The Canadian suppliers have raised, too, the bulk of them starting to rebate at a higher dollar/pound price—\$1.95 compared with \$1.75 in the original agreement—while International Paper kept to the \$1.75 but put up the posted price, from which the discount is deducted, to £285. This made all Canadian prices about £210-£215.

So far, the Scandinavians have remained impaled on the original agreement, though their currencies, too, have strengthened against the dollar and most will admit that they are not doing well. Mr. Ian Fidler, deputy managing director of Lamco, the company which handles the interests of most Finnish suppliers in the UK, goes as far as to say they are "bleeding." Everyone expects a tourniquet, in the

form of a price rise, to be applied soon, especially since the Scandinavian mills cannot keep pace with UK demand.

It may be, however, that the Scandinavians will hold prices for the rest of the year, and even when they raise them, may still substantially undercut UK producers' prices. What will happen to Reed, and more especially to Bowater?

Response

The purchasers of newsprint—the big newspaper groups—are now mulling over their response. Some believe that price should rule: newspapers have problems enough without paying higher prices than they need, and if that means no UK production, so be it.

Others believe that self-interest is better served by looking beyond short-term price factors. They argue that if Bowater and Reed are forced

to close newsprint mills—which they accept is a strong possibility—UK newspapers will be wholly dependent on foreign suppliers, who might then combine to force up prices. Lacking a domestic counterweight, the users would be forced to pay up.

Avoiding this means, of course, paying more for UK newsprint, and making sure the orders to UK mills continue at viable levels. It is unlikely that the Government will intervene directly—though some users believe that a request to newspapers from Government to buy British might be a help.

The effects of closure would be unpleasant. Bowater has the bulk of its production in Ellesmere Port, where little else but newsprint is produced. Closing that plant would put 2,000 workers on the dole in an area of already high unemployment: the company reckons that a further 2,000 might be affected

in supply industries. Further, the loss to the Forestry Commission, from which Bowater buys its wood pulp, would come out at £15m, and put the commission into loss. Bowater's production contributes £35m to the balance of payments.

Laid off

It is less easy to quantify the effect at Reed, since the two mills where newsprint is made, at Aylesford and Gravesend, Kent, both make other paper products as well. More than 2,000 workers employed there would be affected, and many would have to be laid off, if newsprint were lost.

Both producers' newsprint capacities would seem to depend on calculations now being made by their customers. They should know by the end of the year how essential they are deemed to be.

BMW Review.

A streamlined concept for achievement.

BMW's financial year 1978 was highlighted by continued growth and record earnings. This achievement was a direct result of the Company's streamlined concept for its highly successful model range. More than 320,000 cars and around 27,000 motorcycles were sold around the world.

BMW was again able to strengthen its market position both at home and abroad, with a substantial 14% increase in overall exports, which accounted for 51% of total sales. In the U.S., BMW achieved record sales delivering 17% more cars than in 1977. In 1978/79, three new sales subsidiaries were added to the Company's global network in Australia, Austria, and the Netherlands.

Six-cylinder range in great demand

Production of the new generation of six-cylinder engines was increased considerably and accounted for 61% of all BMW cars sold in 1978 as against 30% the previous year.

At the same time, the 7-series luxury sedans captured a rapidly growing number of quality-conscious buyers.

Research and Development

During 1978 BMW announced the Turbo-diesel engine, and the ETA unit, both advanced designs with fuel economy as paramount objective. New braking systems, including the ABS (anti-blocking system) are part of BMW's ongoing efforts to set new standards in safety and performance. In motor sports BMW recorded new successes in both touring and Formula 2 racing. The entire model range benefits from the experience gained testing under these extreme conditions.

Outlook 1979

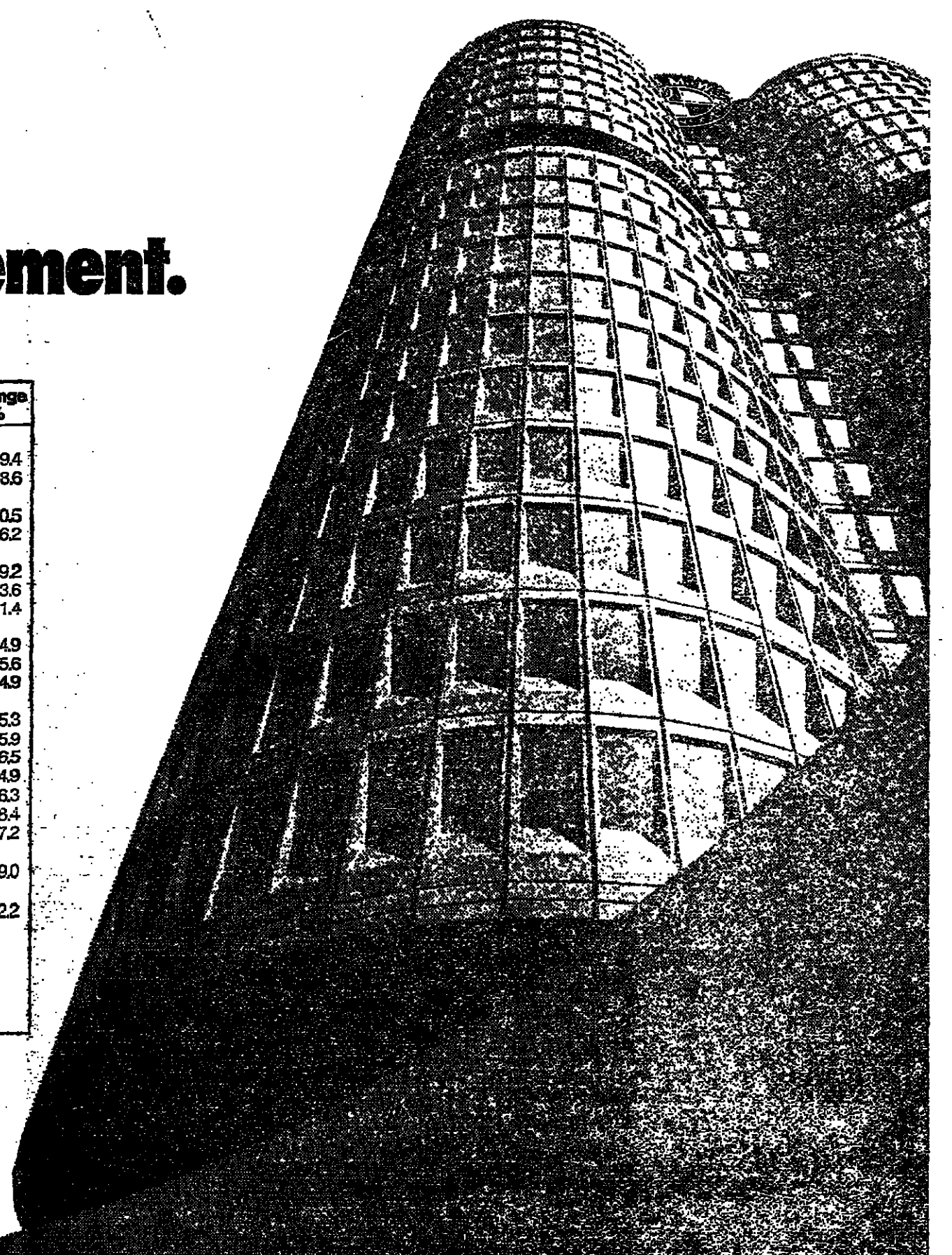
Demand during the first half of 1979 remained buoyant, assuring full utilization of production capacity for the rest of the year. The high order backlog positions BMW for solid growth in the foreseeable future.

In view of mounting economic and energy supply uncertainties, BMW continues to gear its investment program for greatest possible flexibility to be able to adjust to future market fluctuations.

Comparative Annual Figures		1978	1977	Change %
Sales				
BMW AG	DM mill.	5,959.2	4,993.0	+19.4
BMW Group	DM mill.	6,557.1	5,530.5	+18.6
Output				
Cars	units	320,853	280,236	+10.5
Motorcycles	units	29,580	31,515	-6.2
Cars sales				
Domestic	units	157,065	143,774	+9.2
Foreign	units	164,131	144,486	+13.6
Total	units	321,196	288,260	+11.4
Motorcycle sales				
Domestic	units	8,329	6,668	+24.9
Foreign	units	18,263	24,563	-25.6
Total	units	26,592	31,231	-14.9
Personnel				
BMW AG		35,171	33,398	+5.3
BMW Group		39,817	37,581	+5.9
Personnel expenditures	DM mill.	1,439.2	1,350.8	+6.5
Balance sheet total	DM mill.	2,938.4	2,557.1	+14.9
Common stock	DM mill.	500.0	396.0	+26.3
Net worth	DM mill.	1,011.3	787.5	+28.4
Fixed assets	DM mill.	1,450.9	1,353.4	+7.2
Investment in tangible fixed assets	DM mill.	304.9	335.1	-9.0
Depreciation of tangible fixed assets	DM mill.	249.6	222.5	+12.2
Net income	DM mill.	150.6	125.3	+20.2
Dividend	DM mill.	80.6	65.3	+23.4
per share of DM 50 nominal value	DM	9.00	9.00	0.0
	%	18	18	0.0



BMW AG

Bayerische Motoren Werke
Aktiengesellschaft
Munich

£6,000

accountancy appointments

£9,000

APPOINTMENTS

Personnel post at Vauxhall

Mr. David T. Young has been appointed director of personnel at VAUXHALL MOTORS. He takes over from Mr. Geoffrey Moore, who has already announced his departure from the company.

Mr. Young started his career with Vauxhall in January, 1944, as a commercial apprentice. He transferred to GM Ltd. in 1963, joined the board as director and group personnel manager in 1975, and was made director of personnel and industrial relations in April this year.

DON GROUP of friction material companies operating within Cape Industries. The companies are Don International, Manchester; Don International S.A. (DISA), Brussels, Belgium; Svenska Brossfabriken A.B. (SBF), Langsele, Sweden; and Don associated companies overseas. Mr. Fay will also join the Board of Don International as deputy chairman and the Boards of DISA and SBF. Don research and development activities, principally directed at Manchesters, have been restructured into a separate division. Mr. J. C. Copeman has become director and general manager of the division responsible to Mr. Fay.

Mr. Christopher Bostock has joined EXECUTIVE SEARCH as a director.

Mr. Brian Naismith, Director of Physical Education at the University of Surrey, is to join the council of the BRITISH RACQUETBALL ASSOCIATION. He will take a special interest in the development of the sport through coaching and tournaments.

Mr. Leo R. Moll, formerly senior analyst at SRI International, has been appointed vice-president and director, business equipment and communications group of CREATIVE STRATEGIES INTERNATIONAL. His responsibilities will include management and direction of all office automation and telecommunications studies. Mr. Moll, who joined in 1972, became shipping manager in 1972, and a year later was appointed to the Board of Yeoward Brothers (Shipping).

Mr. Terence P. Callaghan, has been appointed to the Board of FORWARD TECHNOLOGY INDUSTRIES. He was previously general manager of an ITT company in Belgium.

In a move to re-structure and strengthen its Board, CLAUDE WARE has appointed four new directors, two from the UK, Mr. Harold P. Chaffe, solicitor, and Mr. James H. Dale, a director of H. Stockwell and Co., the company's steel stockholding subsidiary; and two from the U.S., Mr. Andrew N. Helms, a New York attorney, and Mr. Edwin C. Veris, a consultant and senior lecturer at the Sloan School of Management, Massachusetts Institute of Technology. Mr. Richard Crane has resigned as deputy chairman and managing director of the company, but remains as a consultant.

Mr. A. J. Clarke has been appointed to the Board of the Melloy Company as financial director.

Mr. Sullivan S. Olayan has joined the international council of Morgan Guaranty Trust Company of New York. He is chairman of the Olayan Group, based in Jeddah, Saudi Arabia. In addition, Mr. Olayan is chairman of the Saudi British Bank and a director of the Saudi Spanish Bank, Riyadh Bank, and Saudi Arabian Airlines.

Mr. Colin Silcock has been appointed to the Board of DICK BEARINGS, a member of the Fenner Group of companies.

Mr. Owen M. Ness has been appointed a director of ALCAN ALUMINIUM (UK), and will be responsible for personnel.

Mr. John R. Lenton has been appointed managing director and sales director of INTERNATIONAL FACTORS. He joined the company from Alway Factors where he was operations director. Both companies are members of the Lloyds and Scottish Group.

Mr. P. G. Cairns has been appointed finance director of YORKSHIRE IMPERIAL FITTINGS, Leeds and Dundee.

Mr. David D. Searle, formerly managing director of Morgan and Grand, has been appointed managing director of EUTECTIC COMPANY. Mr. Dennis Parkes, formerly director of the National Terotechnology Centre, has been appointed director. EUTECTIC+CASTOLIN INSTITUTE INTERNATIONAL.

Mr. Thomas P. Wardle has been appointed managing director of BRITISH CASTORS, a member of the Evered Group, in succession to Mr. Nicholas Gillett who has taken over as chairman.

Mr. A. R. W. Sharnan has joined the board of R. TRAVERS MORGAN INTERNATIONAL.

Mr. Alec Taylor, chairman of BRITISH CELLOPHANE has retired. He has been chairman since 1972 and a member of the board for 29 years.

Mr. R. G. Roberts, coaching director of the NATIONAL BUS COMPANY since September 1, 1977, has been appointed regional director for NBC's Wales and the Marches region. He will succeed Mr. Niblock who will be retiring on September 30. Mr. F. E. Dark, general manager of Rubble Motor Services since January 1, 1977, has been appointed group executive of National Bus Company's South Eastern Region, from October 1, 1979, in succession to Mr. G. C. Smith who has retired.

Mr. Francis P. G. Dugdale has been appointed to the newly created post of chief industrial relations adviser to the CO-OPERATIVE UNION, the federation of the consumer co-operative societies. He will be in charge of the Union's labour department and becomes secretary of the National Wages Board, taking over the duties performed by Mr. Tom Hughes, who recently retired from the post of labour adviser.

Mr. Brian J. Morris, controller of corporate public relations of the exhibition organising company, Industrial and Trade Fair, has been appointed to the Board of MEN'S AND BOYS' WEAR EXHIBITIONS as publicity director.

The BERNARD WARDLE GROUP has made the following appointments: Mr. Ken Pearson, group financial controller and joins the group from Courtaulds where he held senior general management and financial positions including financial director of Courtaulds Courteille division and British Celanese. The automotive division of Bernard Wardle Sales has appointed Mr. John Buckley as its marketing director. He will be responsible for marketing and field sales to the automotive industry both in the UK and the European mainland. Mr. M. S. W. Howard has been named marketing director of Hurdura and will be responsible for the sale and marketing of the non-automotive products of that company. Mr. Howard will also retain his responsibilities for group trade advertising and public relations.

Mr. Sidney L. Lesser has been appointed a vice-president of the ROYAL AUTOMOBILE CLUB. He will attend Board meetings until the end of the Board's present term and will continue to represent the RAC's interests in the Federation Internationale De L'Automobile.

Mr. David D. Wakefield, a senior vice-president of Morgant, has been appointed as a director of DEUTSCH-INTERNATIONAL with his initial term ending at the 1980 annual meeting of stockholders.

Mr. Kevin Cooke, general manager of the graphic arts division of John Hadland (Photographic Instrumentation), has joined the Board of JOHN HADLAND HOLDINGS, the parent company.

Mr. Donald McNab has been appointed managing director of LEEWARD INTERNATIONAL, a newly formed trading company of the Dutch transportation and financial group, the Meera Corporation B.V.

Mr. Frank J. Claydon Jr., has been appointed president of TEXAS-GULF CHEMICALS COMPANY, a division of Texasgulf Inc. He replaces Dr. Gino P. Giusti who was elected president of Texasgulf Inc., the parent company.

Mr. W. J. King, holidays manager, of National Holidays and Mr. F. A. Knights, chief executive and secretary of Gallem World Travel have been appointed to the Council of Management of HOLIDAY UK. Their appointments will be effective until the annual meeting on Thursday, October 11 when the whole Council will stand down for re-election.

Mr. G. T. Fairclough has been appointed sales manager of defence systems division of VICKERS' Elswick works, Scotswood Road, Newcastle upon Tyne.

Mr. Ellsworth Donnell has been appointed as an executive director of ARTOC BANK AND TRUST, resident in London and representing the Bank in Europe, North America and the UK.

Mr. J. Larry Jameson, a vice president of INMONT has been appointed general manager, OEM Finishes for the automotive group in America. Mr. Neil F. McDonald, managing director of Inmont Limited at Wolverhampton is his successor. Mr. McDonald has been elected a vice president of Inmont Corporation and appointed general manager—automotive Europe. He will be responsible for all of Inmont's automotive activities throughout western Europe.

Mr. Roger M. Abers, director Automotive OEM Products for Inmont Limited has been appointed managing director of that company. Mr. George Heath remains as director refinish products and continues to hold senior marketing responsibility for Inmont's refinish activities in the UK, which he has done since Inmont's entry into the market in 1973.

Mr. Masayuki Ikeda, deputy general manager of the BANK OF YOKOHAMA, London branch, is returning to Tokyo on the completion of over four years' attachment to the London office. His place as deputy general manager and chief dealer is being taken by Mr. Shintaro Asai.

Mr. A. W. Fay has been appointed chief executive of the

Treasury Assistants

c.£8,200

The expanding Treasury Department of this major international manufacturing concern—with turnover exceeding £400m requires two enthusiastic Treasury Assistants. Generally, both successful applicants will be expected to assist in the varied tasks of the department. Specifically the responsibilities are as follows:

Treasury Assistant—Cash Planning and Control

Duties will mainly comprise the further development of the Group's cash planning procedures and operating a system of cash plan reporting and analysis to improve the Group's cash control both in sterling and foreign currency. A good understanding of the UK Money Market is desirable.

Treasury Assistant—Banking Procedures

Duties will comprise assisting in the day to day overseas banking matters, administering the Foreign Currency loan portfolio, advising on exchange control and export credit matters. An in depth understanding of the foreign exchange markets is essential as the applicant would be expected to assist in developing and operating the Group's exposure management techniques.

It is anticipated that the successful applicants will be newly qualified accountants or finalists awaiting results. However, consideration will be given to other applicants with suitable experience.

Please reply, indicating which position is being applied for, to: The Treasurer, Blue Circle Industries Limited, Portland House, Stag Place, London, SW1E 5BJ.

Blue Circle Industries Limited



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International Auditors

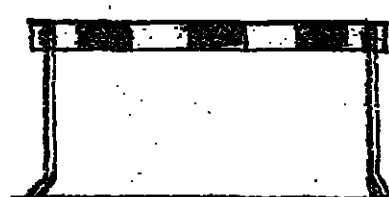
American Express require Auditors to join a professional Internal Audit Department.

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MANAGEMENT

Alan Friedman reports on how four major groups are competing in the race to mine the ocean floor on a commercial scale

Seabed mining consortia hope to raise the political anchor

ARGELY AWAY from the public view, four U.S.-led international corporate consortia are quietly investing some \$200m in a bid to raise the seabed mining industry. The consortia, which are mining the ocean floor for valuable minerals like nickel, cobalt, copper and manganese, are the eventual investment required for commercial operations will run into billions of dollars and could revolutionise world mining activities for select minerals.

In pursuit of this, a new deep seabed mining technology is being developed and the companies are rapidly approaching their commercial recovery stage.

Technology has moved well past early prospecting with underwater television cameras. Demonstration-scale mining ships are now scooping up the potato-shaped black and grey nodules from the seabed, using lengthy hydraulic piping systems to bring minerals to a huge ocean-going processing barge, which then transports them to on-shore processing plants.

Over the past 15 years, four American corporate leaders—Nickel, U.S. Steel and the U.S. subsidiary of International Nickel—have engaged in separate and competing research and development work in ocean mining. Back in the early 1960s, when the four companies began looking into the concept of dredging up chunky manganese nodules from the ocean floor, it seemed more like science fiction than reality to many business leaders.

But the technology has progressed to a stage of potential readiness, with the four separate consortia jealously protecting their various technological achievements. At depths of two to three miles, and mostly in the Pacific Ocean, the manganese nodules are littered across the seabed, containing a greater mineral content than much of the world's land-based mineral resources. And the cost-effectiveness of seabed mining is now beginning to parallel that of land-based operations.

Manganese nodules are found lying on or slightly below the ocean bottom, in concentrations as much as 1m tonnes per square mile. They were first discovered by the British survey ship Challenger well over a cen-

tury ago. But it was not until the 1960s that scientists and business corporations began to take them seriously.

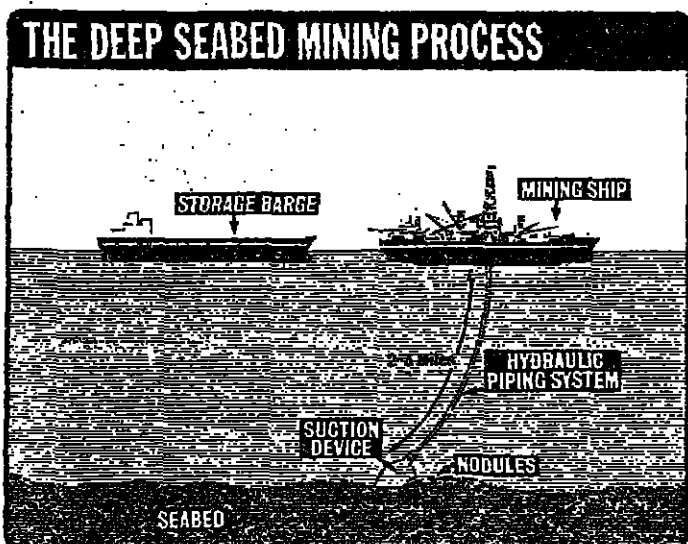
The four consortia have together invested about \$200m in the early stages of preparation. Each consortium has gone through a period of research and development, prospecting and exploration, probing the ocean bottom with sophisticated underwater television cameras, feasibility studies, and finally, demonstration-scale (one-fifth to one-half size) testing. The next stage will be commercial recovery on a full-scale basis, with an average investment cost of nearly \$1bn per consortium. Mining activities could begin in the mid to late 1980s.

The \$1bn front-end fee will help pay for sophisticated mining ships which can remain at sea for months on end, complex land-based processing plants which will convert the nodules to sheet metals, and football-field size barges to transport the nodules.

However, deep seabed mining companies are reluctant to make the final investment decisions until they are satisfied that the UN Law of the Sea conference will not pose a threat to their profitability. The UN conference has been meeting for several years to work out an international seabed authority to regulate ocean mining, which occurs in international waters beyond the limits of national jurisdiction, and to devise a scheme for international revenue sharing of seabed profits.

Deep-sea miners tend to view the UN plan as a threat. They have urged instead, that the U.S. Congress, West German Bundestag and British Parliament enact interim unilateral legislation to authorise immediate seabed mining activities.

Third World diplomats cite UN regulations as the "common heritage of mankind" and say that such unilateral action would contravene the emerging international legal consensus. The U.S. Government disputes this and claims that freedom of the high seas embraces seabed mining activities.



In Washington, the seabed companies have engaged in extensive lobbying activities designed to persuade the U.S. Congress of the need for protective legislation. Over the last ten years, a few Members of Congress have been introducing pieces of legislation which would grant official U.S. Government authority to seabed miners.

Until recently, the Department of State has opposed such legislation, explaining that it could have a deleterious effect on the UN conference. But Mr. Elliott Richardson, the U.S. law of the sea ambassador, has decided to support the enactment of seabed legislation; this has cheered seabed-orientated investors.

Security

The Carter Administration now fully supports unilateral seabed legislation, and the German Bundestag, Japanese Diet and UK Parliament would probably follow suit soon after U.S. passage. But there are few in the U.S. House of Representatives or Senate who know or care about seabed mining.

The American Defence Department last year testified in Congress that the seabed minerals were not of strategic necessity, and a seabed mining industry attempt to portray the

manganese nodules as a critical matter of national security has failed. (The attempt was based on a warning about import dependence). Nevertheless, investors contend accurately that the nodules could provide an attractive alternate source of minerals in the future.

Commercial processing of nodules could lead to new supplies of nickel, cobalt, copper and manganese. These could be available to the industrialised West in the face of any producer-organised cartel attempts. But experts agree that the actual need for these seabed minerals, arising out of a worldwide shortage, will probably only occur at the start of the next century.

Meanwhile, preparations are going forward around the world. Twenty-three Japanese companies have banded together to form a group called Domo, with a 25 per cent share of the International Nickel consortium. A West German group called AMR, which contains Metallgesellschaft among others owns about 25 per cent share of the INCO consortium.

SEDCO, a Texas-based oil drilling company, contributes the remaining 25 per cent to the INCO group.

The Ocean Mining Associates group is comprised of U.S. Steel, The Sun Company and a U.S. subsidiary of Union Minière, the

Belgian company, each with 33 1/3 per cent ownership.

The Kennecott Copper consortium, led by the U.S. mining company, which owns 50 per cent of the venture, contains five other firms. Consolidated Gold Fields (UK), Rio Tinto Zinc (UK), BP (UK), Noranda (Canada) and Mitsubishi (Japan) each own 10 per cent of the Kennecott group.

Finally, although percentage breakdowns are not available, the Lockheed Missiles and Space Company seems to control its group, called Ocean Minerals Company. The remaining ownership is held by a subsidiary of Standard Oil of Indiana, a U.S. subsidiary (Billion) of the Royal Dutch Shell organisation and Papendrecht, a subsidiary of Boskalis of The Netherlands.

Despite the delays and uncertainties of the UN Law of the Sea negotiation, some industry officials prefer the idea of a uniform regulatory body to the unilateral legislative options.

"We at RTZ would rather mine the seabed under the auspices of an international regime than under interim legislation produced by individual governments," said one UK executive. He also said that a full review of the economics of seabed mining was underway.

"The year 1979 will be a year in which the pace of future investment will be decided," according to the RTZ official. But not all seabed mining investors are sanguine about an international regime. Mr. Gill Clements, the president of SEDCO, a U.S. partner in one seabed consortium, complained that the legal uncertainties created by the UN made investment decisions rather difficult.

"The seabed industry is frustrated and weary with the whole legal issue, the United Nations and the Congress," he said.

Clearly, seabed investment could hold out attractive returns, but its future is clouded by continuing legal and political uncertainty. The UN conference is currently meeting in New York to iron out the financial arrangements of the seabed authority. The next few weeks could finally spell out the shape of things to come.

Sounding board welcomed by many small firms

BY NICHOLAS LESLIE

OWNING A small business can be a lonely occupation, with little or no scope for discussing with somebody else ideas or problems which may be of vital importance to a company. This proposition is borne out in a report, instigated by the Department of Industry, which has evaluated the work of the department's Small Firms Counselling Service in the South-West since its inception over two years ago.

Counsellors, many of whom are businessmen themselves, are often used as a "sounding board" says the report, with their role frequently being "to allay the client's fears that his proposed course of action is illogical and is justified by the facts."

The report, which drew on the experiences of 88 firms—out of a total of 188 cases where an initial approach had been followed by a counselling service—reached a number of significant conclusions.

The service, says the report, had been responsible "for the survival of a considerable number of firms and has helped create many new businesses. On the other hand, it is felt that the counselling service's inability to provide finance is a weakness and that this should be rectified by the service having access to funds."

Of clients reporting benefits from the service, nearly half related to one or more financial criteria, such as increased sales or profits or reduced borrowings. Major benefits were identified in terms of employment, followed by both established and new firms and employment benefits were reported also by companies which survived only as a result of counselling.

More than half the clients receiving counselling beyond an initial interview found the experience "very useful" and nearly a quarter of those who had only one interview felt the same.

Highlighting the problem of the service being unable to provide finance, the report says 43 per cent of single-interview clients were actively seeking finance, and the non-availability of such aid was the "largest single source of dissatisfaction."

The service, which was generally felt to be insufficiently publicised and deserved to be better known, was mainly used

by very small firms. Indeed, nearly one in nine clients using first-time counselling employed less than ten people.

A whole series of recommendations is made in the report—not just the call for the service to have a financing role. More cases should be transferred from one counsellor to another to facilitate a better client-counsellor match, says the report. And, if necessary, there should be greater flexibility about matching client and counsellor on a regional, or even national basis—in other words greater liaison between the different regional counselling services.

The report makes it clear that an on-going relationship between counsellor and client can be of greatest value, although there is also a danger that too much concern with converting initial interviews into further counselling can undermine the quality of service.

Reluctant

On the financing front, the report says there appears to be a gap in the capital market for sums under £25,000, with a particularly strongly felt need for sums of between £5,000 and £10,000. Many larger finance institutions seemed reluctant to handle such sums and banks tended to look for collateral, which had generally been used up, or a trading record which did not exist.

"The counselling service should have access to finance. Lack of finance is a persistent source of dissatisfaction," says the report. As a result the service suffered by comparison with other agencies such as COSIRA (the Council for Small Industries in Rural Areas) and the Welsh Development Agency.

Another interesting recommendation relates to the possibility of the service acting as a sort of matchmaker between small firms and possible sources of private finance. Some private investors approach the service because they want to invest in the small firms sector and "these initiatives should be encouraged," says the report.

It is possible that by directly canvassing solicitors, accountants and bank managers a pool of such investors could be identified. It would then be feasible to direct small firms which required funds towards potential investors," the report adds.

A weakness in the counselling available in the South-West is marketing expertise. A number of larger firms have been looking for levels of marketing expertise which exceed that currently available.

Significantly, the rate of conversions from single interviews into follow-up counselling sessions varies quite considerably from town to town within the region. In Bournemouth it was 73.5 per cent, but in Redruth barely more than 11 per cent. The Bristol rate was almost 25 per cent, Exeter 30.5 per cent and Plymouth almost 30 per cent. But Gloucester was also low at just over 14 per cent.

The report does not seem to have found a completely satisfactory answer to this. It talks of the different approaches of the counsellors as being a contributory factor. Surprisingly, perhaps, it was found that a high workload did not lead to counsellors experiencing a low conversion rate.

These variations did not seem to affect the view of clients either in one particular respect. For in both single-interview and follow-up cases barely more than 1 per cent or so of clients cited the condition that "it would depend on the counsellor" as to whether they would use the service again.

More than 77 per cent of the single interview cases said they would use the service again, though 21 per cent said they would not. With the follow-up cases almost 90 per cent said they would use the service again, but less than 5 per cent said they would not.

The report calls for more research to be undertaken to establish the identity and distribution of small firms in the South West. It also identifies a need for a direct line of communication between small businessmen and the Small Firms Division of the D.I., and for more liaison between these two and counsellors.

An Evaluation of the Small Firms Counselling Service in the South West Region, available from The Manager, Small Firms Centre, Colston Centre, Colston Ave., Bristol BS1 4UP.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHUETERS

TEXTILES

Improving handle and printing

BRITAIN IS the home of some of the finest quality wool knitwear in the world. Traditionally all-wool garments have had to be handled with care, but over the past year or so the International Wool Secretariat has been supporting various special treatments which make all-wool garments machine-washable without loss of handle. The labels carry the legend "Superwash Wool" and they are issued to a number of different treatments.

A new approach to finishing knitwear so that it will qualify for the superwash label is Levaline "S", which has been developed by Stephenson Bros. (POB 305, Listerhills Road, Bradford, BD7 1BY. Tel. 0274 23811). It is a composite liquid formulation for both scouring and milling all types of knitwear made from natural fibres.

Combining "nonionic" and anionic surfactants complemented by the addition of a high quality natural sodium-based soap to balance optimum cleansing, with superior handle, the process is designed to have a balanced pH in the treatment bath. With Levaline "S" this is held between 7.8 and 8.8, irrespective of yarn, dyestuffs or dyeing process used.

Normal scouring will take 3-5 minutes at 30-35 deg. C with a liquor ratio of between 20:1

and 25:1, using 3-5 grams per litre. For milling or fulling garments in white or pastel shades, the processing time may be extended until sufficient consolidation has been achieved.

Meanwhile, on the transfer printing front, a new machine, designed to accommodate fabrics and papers up to 3 metres (30 inches) wide, has been developed by Bates Textile Machine Co. (Old Mill Lane, Leicester LE1 4AZ. Tel. 0533 29661). The model STP-80 will even accept fabrics up to 2.25m (30 inches) wide.

The new machine seeks to minimise power consumption and yet process at maximum speed. By having a cylinder diameter of 710mm (28 inches) and by increasing the diameter of the heating elements inside the cylinder it has proved possible to reach transfer printing speeds of 8 metres/minute.

The system used is to take the transfer paper through the machine with the rear of the paper against the heated cylinder, while against the printed face is pressed the fabric which is held in place by the tension of a blanket. The dyestuff sublimates and is transferred into the structure of the fibres of the fabric to give a sharp reproduction of the paper design, although there can be changes in colour between the paper and the textile.

HANDLING

Crane folding jib

A GERMAN MADE mobile crane, the Fuchs 110, from John Fuchs KG of Ditzingen, with a capacity of 10 tons, has a lattice jib, up to 19 metres that can be hydraulically folded into an overhead travelling position without disassembly or re-erecting, says UK agent Vauxsco, Gars Road, Morden, Surrey (02530 6101).

It is available with crane or excavator winchgear, the individual winches being mounted in line and driven by a hydraulic variable displacement pump. With the excavator winchgear, hoisting and digging are synchronised, and the crane is fitted with a preslector switch for crane or excavator operation.

When using the crane mainly on outcrops, stationary grabbing duties, for example, the

DATA PROCESSING

Less paper work for the meter reader

READING OF gas and electricity meters by a compact, hand-held terminal can improve accuracy and the cash flow of the service provider. The market potential in Europe for such units is estimated at about £25m.

UCSL Microsystems has designed the device which will cut out paperwork involved in present methods, verify accuracy at the time the meter is read, speed transmission of the information to the utility's central processing department and eliminate error-checking and data preparation routines.

Although there are regional variations in the present system, in general the meter reader collects each morning from the regional office a batch of computer-printed slips which constitute his walk for the day.

Typically, each sheet gives information such as the address and location of the meter, meter number, previous reading and any relevant special instructions. The meter reader can visit the addresses in the most convenient sequence for him and fill out the new readings. If he cannot gain access, he leaves a card to be filled in by

the consumer and generally calls two days later to collect it. At the end of the "walk" he returns the slips to the office from where they are either posted or sent by van to the board's computing centre. During the next 24 hours the slips are sorted, checked for obvious errors and prepared for computer input. The computer then processes the information and produces bills to be sent to the customers. These should be delivered on the fourth day after the reading has been taken.

In the UCSL system, each meter reader would use a UCSL M50 portable data capture terminal programmed specifically for the meter reading application. The M50 is a hand-held device, similar to a pocket calculator, that is intelligent and can be programmed by UCSL to the user's specification. Powered by rechargeable batteries, it can hold up to 64,000 characters of data in a memory, the contents of which can be transferred from the terminal directly to the central computer over the public telephone network.

There is two-way communication between the central computer and the M50 terminal. The meter reader is guided through the data entry operation by a series of "Prompts" which appear in the terminal's 12-character display. Each entry that he keys in is also displayed to provide a visual check before passing on to the next prompt.

When the meter reader picks up his M50 from the office he will find in it all the information regarding the day's walk. This has been "loaded" from the central computer, and includes a list of addresses, location and number of meters, with any special instructions for access. This information can be selectively displayed by a series of simple key depressions.

Also loaded into the terminal, but not displayed, are minimum and maximum limits for the new reading, to provide a range check. If the new reading, when entered, does not fall within the two defined limits, the terminal will indicate by an audio signal that it detects an error. If the meter reader is convinced that the reading is correct, he is still able to enter

it by pressing the "Enter" key for a second time. Should the meter reader be unable to take a particular reading, he enters a code which signifies the reason. When the day's walk is completed the reader returns the M50 terminal to the office and plugs it in for recharging and transmission of data.

The process of transmitting data to and from the computer can be done manually, but ideally the operation would be carried out automatically. Overnight, taking advantage of off-peak telephone rates, the central computer calls up each M50 in turn and initiates transmission of data from the remote location.

Data is transmitted in blocks and each block must be acknowledged at the computer centre as having been correctly received. Corrupted blocks receive a non-acknowledgement signal and must be sent again. This ensures that the data transmission is secure from line interference.

Further information from UCSL Microsystems, Chiltern House, 184 High Street, Berkhamsted, Herts. 0427 71471.

METALWORKING

Hacksaw has more power

ALTHOUGH IT works at 350 strokes a minute, yet its rated air consumption is only 30 cu ft a minute, a new air power heavy duty hacksaw is quiet in operation, claims Powell Duffryn Tools, Cambrian Works, Maundy, Cardiff, sole UK distributor for all air power tools made by Rockwell International.

Its 3 inch cutting stroke can cut with precision and speed through most materials, including metal pipes up to 14 inch diameter held in one position. Clamp locks and blades are interchangeable, and there is feathering throttle control of the 1 hp air piston motor.

Overnight, taking advantage of off-peak telephone rates, the central computer calls up each M50 in turn and initiates transmission of data from the remote location.

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Further information from UCSL Microsystems, Chiltern House, 184 High Street, Berkhamsted, Herts. 0427 71471.

NEW LINE of contour saw band machines featuring direct current drive systems with electronic band speed control will be introduced during the European Machine Tool Show in Milan, October 10-18, by DoALL Company (UK), 12, Barton Road, Bletchley, Milton Keynes (MK08 1TB6).

Electronic speed control provides the operator with a simpler and more precise method of band speed selection, says the maker. Within either low or high speed ranges, the operator can instantaneously change the band speed by turning a calibrated dial conveniently located at the operator's station.

The 1.5 kW, or optional 2.2 kW DC drive system eliminates the mechanical speed control assembly and the many maintenance problems and vibration associated with them.

Speed change and speed range gear shift are electrically interlocked to prevent accidental damage with the results, says the company, of the smoothest and most reliable drive system ever produced for this size and class of band machine.

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SAFETY

Control of oil pumping operations

WHEN OIL is being loaded from a platform to a tanker via a loading buoy, major problems can occur should the ship become unable to accept oil from the interconnecting pipeline due to an on-board equipment failure.

Continued pumping infers potentially expensive consequences, and recently BNOG asked Fraser-Nash (Electronic) to provide a high integrity data link between tanker and platform.

Duplex ultra high frequency radio telemetry is used and a correlation technique employed to ensure data is not corrupted. This involves sending the data back to the platform for checking and four valid comparisons are needed for acceptance. If a validated fail signal is received an automatic interlock inhibits the pumping operation.

The complete system is duplicated with extensive self-checking, and in the event of circuit failure the alternative channel is selected.

More from The Old Forge, Pleasant Place, Heronham, Surrey KT12 4HR (Wilton on Thames 44356).

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3rd/4th
October 1979

Advances in memory development

SIGNIFICANT advances have been made in memory development by General Automation with the 1 Megabyte Hypak random access memory unit.

Hypak gives the lowest cost per information bit in the industry, says GA which is particularly enthusiastic about the error correction code (ECC) which automatically corrects all single-bit errors and detects all two-bit errors.

This feature by itself provides a memory mean time between failure of over 21 years of continuous use for a 1 Megabyte memory module.

In the normal mode of operation the ECC function logs all single and multiple bit errors for further analysis. Depending on the application, the results of this analysis can be used to establish the rate at which memory errors are occurring, determine if the errors are random or in some pattern, and if they are soft errors or hard component failures, etc.

Answers to these questions, and others, can be used to time preventive maintenance, establish the appropriate level of spares, help isolate bad components, and suggest rearrange-

ment of memory chips on the board to eliminate multiple errors within a single word, if this occurs.

Second only to keeping the system operating accurately is the assistance ECC provides the service engineer. He has a log of all memory failures; which chips are bad, and when errors were made. The Hypak memory chips are mounted in sockets and, with the proper diagnostic programs, replacement of bad chips with on-site spares is a fast and simple task.

General Automation, 43/45, Windsor Road, Slough, Bucks. Tel. Slough 72351.

Europeans gain ground in minis

EUROCAST report on small business computers (SBC) from International Data Corporation shows that during 1978 there were the first signs that new contenders for the West European SBC market are gaining ground on more traditional vendors.

These new entrants, which include some terminal suppliers, together with companies such as Systeme, SEMS, CTM, Wang and MAL, achieved an impressive 22 per cent share of the 1978 SBC revenues.

Nevertheless it was Philips with shipment revenues of \$370m, Burroughs (\$250m), Olivetti (\$230m) and Nixdorf

(\$210m) that dominated the market during 1978. IBM were in fifth position producing revenues of \$200m in a total market that was worth \$2,430m.

In terms of the numbers of systems supplied, Olivetti were clear leaders with unit shipments of 11,580 (16 per cent of the market) followed by Philips (8,920 systems) then the three West German organisations Nixdorf, Triumph-Adler and Kienzle.

These figures are for all systems. However, the study distinguishes between the office computer with a typical cost of \$10,000 to \$25,000 and the larger SBC in the range of \$50,000 to \$75,000. All of IBM's revenues come from this latter group

with deliveries of System 32 and 34 estimated to be 2,600 units in 1978.

The report indicates that the 1978 shipments have done little to alter the structure of the installed base in Europe where Olivetti has 44,000 systems; Nixdorf and Philips rising 33,000 systems each.

As in other sectors of the computer industry, hardware costs are declining, but are being compensated by increasing revenue from software and services. IDC estimates that the value of the European shipment revenues will increase by 18 per cent in 1979 to \$2,903m and \$3,363m by 1983.

IDC Europe, 2 Bath Road, London W4 1LN. 01-895 922.

by DAVID PIPER

An 18th century leather and red velvet collar worn by Mr. and Mrs. Kraal's champion Great Dane, Dicarj, the Lioness of Isfrak

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FINANCIAL TIMES

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Tuesday August 7 1979

One more try on Rhodesia

THE RHODESIA problem, like the Irish question, has defied successive British Prime Ministers and Foreign Secretaries. Sunday's Commonwealth agreement on yet another new approach seems to have generated a fair amount of euphoria. Mrs. Thatcher has said that the agreement is a "success" and a "tremendous start." Some African leaders have described it as a "triumph." But the Prime Minister and her team in Lusaka must be fully aware of the pitfalls that lie ahead.

Responsibility

Britain has met the wishes of the Commonwealth for reasserting full responsibility for arranging a settlement. That is a courageous decision, given that past failures of British policy have stemmed from the UK's inability to influence what has actually happened on the ground — whether politically or militarily. In trying to bring pressure to bear, the last British Government recruited American help. The Anglo-American initiative is now dead. This Government has chosen to work through the Commonwealth, accepting the logic of the argument that the best, if not the only, way of exerting an influence is through the five Front Line African States that are closest to the conflict. Nobody has yet discovered any other way of putting pressure on the Patriotic Front leaders. Mr. Joshua Nkomo and Mr. Robert Mugabe, whose acquiescence is essential if the war is to be ended.

Solution

On paper, the latest agreement looks fine. By accepting the idea of new, British supervised, elections and changes in the Zimbabwean constitution, Mrs. Thatcher has met many of the objections that have been directed against the Muzorewa Government by its opponents in Africa and in the Commonwealth as a whole. She was right to say at her Press conference yesterday that a settlement on these lines would be better for White Rhodesians than the inevitable escalation of the war if it fails. She is also right to pay little attention to the handful of right-wing Tory MPs who are already complaining that the Whites have been sold down the river. If she decides to impose her plan

on the Conservative Party, the majority of its members will follow.

The solution, if there is one, is to be found in Africa, not in London. The initial reactions to the latest formula from both the Patriotic Front and Bishop Muzorewa's Government in Salisbury have not been encouraging. It is true that public statements on Rhodesia have often differed from the positions that the protagonists are prepared to take privately. But it remains a fact that Mr. Nkomo, Mr. Mugabe and Bishop Muzorewa all want to finish up running the country and there is no possible formula which squares that particular circle. As long as the Patriotic Front leaders believe they have a better chance of getting their way by fighting, rather than through the ballot box, they will want to continue the war.

This, of course is where the leaders of the Front Line states come into the picture. Many of the countries bordering Rhodesia, and particularly Zambia, are suffering severely from the war in general and their role as guerrilla bases in particular. The admittedly rather tenuous hope must be that President Kaunda can now persuade Mr. Nkomo to agree to stand for election in his own country, and, even more important, prevent him from continuing the war if he does not wish to take his chance at the polls.

Constitution

It is encouraging that the new proposals have been so wholeheartedly endorsed by the Commonwealth and the Front Line States. But there are still a great many unknown factors. There must be considerable doubt over Bishop Muzorewa's ability to change the Constitution, even if he is prepared to try. The considered reaction of the Patriotic Front leaders is still unknown — as is that of the white and black people living in Rhodesia, whose approval is obviously necessary. Given the history of Rhodesia over the past decade, it would be rash to suggest that this is positively the last British attempt at a settlement. If it fails, however, the Government will be tempted to try to wash its hands of the entire affair. What is certain is that if the latest attempt comes to nothing, a great many more people are going to die, and the Front Line States may well find themselves obliged to look for allies elsewhere.

A threatening squeeze

"ALMOST frighteningly bad," Sir Geoffrey Howe's widely publicised assessment of Britain's immediate economic prospects, could well be applied to the wholesale price figures published yesterday. A jump of 2.2 per cent in a month when sterling appreciated 3 per cent against the dollar is alarming, even by the experience of the last few years. Coming on top of this, the announcement that Post Office engineers have rejected a pay offer of over 17 per cent, completes a grim picture of inflationary pressures over the next few months.

Pay settlements

The six-monthly rate of increases in wholesale prices now running at 9 per cent still has to make its impact on the retail price index, and the changes in VAT and hydrocarbon duties imposed in the Budget do not affect wholesale prices. Published pay settlements are running at disturbingly high levels and the foreign exchange markets have, at least temporarily, lost their enthusiasm for sterling. Nevertheless, there are consolations, particularly for the government and its economic advisers. The policy of allowing sterling to float upwards has been vindicated, at least in a negative sense. Things might have been very much worse if the Bank of England had intervened to hold sterling down. The relaxation of monetary policy that sterling intervention would have entailed, would have been inflationary at a time when costs were rising so rapidly. Of course the other side of the coin is that the monetary expansion ebbing of 11 per cent is becoming increasingly restrictive as the price indices climb. But this restrictiveness is the essence of a counter-inflationary monetary policy.

Moderating effect

The direct advantages of a strong exchange rate are evident in the index of raw materials and fuel prices. After a jump of 2.2 per cent in June, due entirely to the backdated

increase in OPEC's oil price, raw materials costs held steady in July despite further large increases in crude oil prices. The sterling costs of non-energy raw materials have fallen sharply as sterling has appreciated. If sterling now maintains its value raw material costs should have a strong moderating effect on wholesale prices over the next few months.

The Government has far more faith in the salutary effects of tight money, and a strong exchange rate than do many of its supporters in industry. So, despite the menacing figures that can be expected over the rest of this year, there is a good chance that the present policies will be continued and that inflation will be moderating noticeably next spring.

Faith in the Government's economic policy must be built on the hope that a currency and money market speed with which impact on inflation before it destroys the profitability of large parts of Britain's manufacturing industry. This is a gamble and the stakes are higher than the Government would wish, as the Chancellor suggested last week when he demurred the speed with which external events were forcing the British economy to readjust to a strong currency. Significantly, he did not deny the need for the adjustment process itself.

Labour market

The joker in the pack is the behaviour of the labour market. If the trade unions are unwilling to accept the higher oil prices have to be paid for industry is bound to suffer under the monetary and currency pressures. If, on the other hand, competitive pressures could be translated into higher productivity, the British economy could improve its competitive position reasonably too quickly. Yet as long as other groups follow the Post Office workers and insist on trying to keep their wages rising faster than the prospective increase in retail prices, the Government's policies will squeeze not industry, but profits and jobs, out of the economy.

WORLD AGRARIAN output has grown substantially in recent years — especially output of some export cash crops, such as sugar, bananas, cocoa, coffee, groundnuts and rubber. However, at the same time rural poverty has increased. There are now perhaps 750m people, a vast majority of them rural people, who live at the margin of survival. Indeed, the changes which have improved agrarian efficiency — irrigation for high yield crops, increased plantation of export cash crops, and so on — for example by dispossessing small farmers, have often themselves made rural poverty worse. This paradox of rising malnutrition amid rising output is the root of some of the most intractable north-south problems.

The emergence of this dilemma, which was the subject of a 150-nation conference in Rome last month, can be put down to a variety of causes. The first is the internal policies of the countries concerned, either because governments represent a landowning minority, or simply because they give first priority to resources to industrialisation and urban development. But many poor countries claim that they are victims of exploitation — a more explosive charge.

There is now a wide consensus, ranging from the Communist bloc to the World Bank and the U.S. aid authorities that effective land reform and adequate rural credit are indispensable first steps to getting rid of rural poverty. Some go further. The EEC aid authorities, ingeniously making a virtue of the Common Agricultural Policy, lay great stress on raising prices for agrarian produce, arguing that surplus income in the rural areas will do more for urban development than any amount of aid. Many voluntary bodies actually oppose aid unless there is reform first.

These ideas have been pre-occupying United Nations and other aid agencies for some years. The World Bank now stresses what it calls a "minimum needs" approach, and gives priority to rural projects and rural credit. Many aid donor countries are following the same priorities, and at the same time looking for means more effective than grandiose government reform programmes. The UK, for example, now gives \$300-£ support to a number of agencies such as Oxfam, which concentrate on small projects with local participation, and the Dutch, the most generous aid givers in the EEC, are moving in the same direction.

The EEC's own development effort has also begun to change in the same way. Its most chastening lesson came in the Sahel region south of the Sahara, where a project to tap underground water supplies with large, deep wells, available throughout the year, proved a disaster. So many nomadic herdsmen headed for these waterholes that new deserts were created in the surrounding



A paradox of rising malnutrition amid rising output.

country, due to trampling and over-grazing. The cattle could not drink, but they starved. The EEC now gives a much stronger priority to what it calls "micro projects" — modest developments with an average cost of about \$50,000, including much investment in education and health — and is also starting to channel funds through voluntary organisations.

The U.S., more radically, is seeking to give aid preferentially to countries which have a significant internal programme of land reform and rural development. However, not for the first time, Congress has subjected a would-be reforming Administration to a kind of Catch 22. Land reform must often start with expropriation; but an amendment to the U.S. Aid Act introduced some years ago by Senator Bourke Hickenlooper automatically cuts off aid from any country which expropriates U.S. property. As a result, some of the most energetic land-reformers are disqualified.

Aid-givers guide

Apart from a sharp squabble about the appropriate terms for land expropriation, these issues of agrarian reform caused little contention in Rome. Indeed, the conference took its one potentially significant decision on this subject. It called on the UN Food and Agriculture Organisation to devise statistical criteria of effective reform, which could be used, U.S.-fashion, as a guide to aid-givers — a kind of inverted blacklist. Some external pressure is clearly needed for governments to be reforming as they are peace-loving. If half the claims made by national representatives in Rome on behalf of their own policies had been true, there would have been no need for a conference; an objective measure is badly

needed to direct resources to the places where they can be effectively used, and put pressure on the laggards, though one can foresee bitter contention once the judgments are made public.

The issues of trade and exploitation, however, are a matter of present rather than future contention. To a large extent these are the same issues which have been rehearsed endlessly at the UNCTAD meeting in Manila, the GATT talks in Tokyo, and many other meetings. There was a certain weariness about the standard arguments over wording, over the New International Economic Order — supported by the poorer countries and many UN agencies, but unrecognised by the rich — and the other standard North-South bickering.

All the same, these issues have a rather sharper edge when rural questions are being discussed. This is because the markets of the West and the would-be reformers are often competing for the same resources of cultivable land. There is growing disillusion, among aid agencies and many recipient countries, with development aimed at export crops for rich markets.

There are strong reasons for this disillusion. First, the establishment of export plantations reduces the land available for the rural population. Second, prices are often seen as inadequate, and the growers have for years been demanding better opportunities to move downstream into processing and marketing, with results they find acutely disappointing. Third, the management of such projects often employs capital-intensive and energy intensive methods which are ill-matched to local potentialities and needs.

As a result, there is a danger that more countries will adopt the essentially isolationist approach of such countries as Tanzania, limiting imports to the minimum of bare essentials so that resources can be concentrated on domestic develop-

ment, even at considerable material sacrifice. Such countries argue that employment and attacking poverty are more important than foreign currency or sheer marketable tonnage.

Suspicion of commercial development at its most intense where transnational corporations are concerned. The countries interested in developing country agriculture are grouped together in a body called Industrial Co-operation for Development, an effort to ensure that their activities fit in with the needs and aspirations of host countries. This body was previously affiliated to the FAO, but was thrown out by Edouardo Sauma, its present Director. In one of the few moments of drama in Rome, a deathbed message to Sauma was brought from Professor Erich Jacoby, the academic grand old man of agrarian reform, congratulating him on this "visionary" move, and warning delegates of the "contingent" influence of the "coated" multi-nationals in other UN agencies and in the World Bank. A desire for self-sufficiency and a distrust of the main companies involved is not a promising attitude to trade relations.

However, this is not the cut-and-dried issue of virtuous collective versus wicked capitalist which the "propagandists" of voluntary aid — mainly of the extreme Left — like to put forward. In an address which was generally regarded as the high spot of a dull meeting, President Julius Nyerere admitted the setbacks which Tanzania's self-sufficiency project has suffered. He drew a central lesson: no government can force the pace of reform beyond what the rural people themselves want. What rural people lack as much as income is organisation and political power. The enforced villagisation programme in Tanzania was intended to provide the setting for community action, but it did not work out as expected.

Perhaps because of the setbacks of collectivisation in the more socialist countries, and problems of efficiency in countries still attached to personal ownership, co-operatives, though very far from a new idea, seem much favoured at the moment. Certainly in Rome the most significant alteration to the official draft resolutions — apart from those reflecting standard North-South squabbles — was the inser-

tion of a series of clauses calling on national governments and aid and financing agencies to assist the setting up of new co-operatives.

An observer from what is, in this context, a very rich country can hardly spend 10 days in the company of experts in such matters, without acquiring a good deal of sympathy for some of the Third World arguments. Those who preach self-help at home should respond to it abroad, even if this may require an interval of protective semi-isolation. Peasants who may require years to reach the level of literacy and sophistication to set up a local co-op can hardly demand equal terms with Western commerce.

Certainly the Western insistence on reciprocal trade arrangements and commercial terms can seem strangely irrelevant. One example will serve as illustration: one of the smallest countries represented (population about 60,000) has had an offer from Germany of a "mutual investment treaty."

"It is kind of the Germans to show such concern about our large investment assets in their country," the development minister observed to me. "But they really want of course a better compensation for the land they own if we want to take it over."

Again, despite the concern of professional aid agencies with small enterprises, the growth of some Western development thinking remains on a gargantuan scale. The Trilateral Commission, a private think-tank of which President Carter was a member until his election, is at the moment trying to sponsor a project of no less than \$50m for rice irrigation. This demands large inputs of energy and chemicals, and is regarded by the potential beneficiaries with suspicion. At the other end of the scale, President Senghor of Senegal described how fishery productivity had been near-doubled by providing small outboard motors for traditional canoes.

This kind of modest indigenous project is the stuff of self-help and independent poverty; and it requires time and local initiative. Large investment programmes, unless devised with great tact and even gifts of free food, which can undermine local markets, can disrupt the process. The very aims of Western investment, which are essentially those of high-powered consumers, may be counter-productive. The World Bank argues eloquently that only rural prosperity can foster development, because it provides markets and the sale argument would seem to apply to world trade. As the EEC Commission, hardly a Third World lobbying organisation, argues in the report cited above: "In the experience of the Community, policies aimed to foster the interest of producers are more effective in sponsoring growth and development than those which favour consumers."

Co-operatives development

Abnormally high productivity from quite small peasant-owned plots is indeed a common experience in countries as different as the Soviet Union and Cuba at one extreme, where such ownership is discouraged, and France and Italy at the other, where it is the norm. A co-operative of productive owners, sharing major equipment, storage facilities and transport as well as marketing, seems to be a later stage of development.

This idea also crosses ideological frontiers, and is as vigorous in Hungary as in Italy (where co-ops produce more than half the wine). France (where they are important in fruit and vegetables as well as other crops) and Ireland (where they dominate the dairy industry). Indeed the co-ops have now started direct trade between themselves, to cut out middlemen and the much-attacked multinational corporations, to the tune of \$100m in their first year of direct contact.

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MEN AND MATTERS

When my ship comes in . . .

The last ship likely to use the Western Albert dry dock, which is to be closed in two weeks, limped away down the Thames last month without having been repaired.

The Russian Pioneer Belorussil needed to have her propeller straightened, but failure to agree on overtime meant the contract could not be completed to the required schedule.

The dry dock is part of East London's Royal Albert Dock, which are to be closed after the disastrous financial performance of owners River Thames Ship-repairs. The company, part of state-owned British Ship-builders, nearly doubled its loss to £5.2m in the latest financial year, ending on March 31, 1979. This loss was equivalent to nearly three-quarters of its overall turnover of £7.1m.

The Royal Albert's work is to be divided between Tilbury and Millwall, and some of the workforce is also moving to these docks. Nevertheless, feelings are bitter, among the management as well as the men. On July 20 James Ekins, chief

executive of the company, left because of the decision to halve the workforce.

Yesterday I learnt that Ekins departed on the same day as the Pioneer Belorussil. The vessel had come in earlier in the week with propeller trouble. When the diagnosis was made in dry dock, the Russians naturally wanted the job finished, now that she was clear of the water.

However, the propeller had to be removed and sent to Liverpool for straightening, and the men would not guarantee they would work sufficient overtime over the weekend to ensure the propeller was on the Sunday 2 pm train north.

The Russians decided not to take the risk. So they sailed their repair job elsewhere.

Slings and arrows

Hamlet as portrayed by Shakespeare is no credit to Denmark, says a team of professors from four of the five Danish universities. They think the royal Dane carried little for all that was rotten in the state, but instead fell into the petty bourgeois error of introspection and existentialist speculation.

Shakespeare was to blame, say the academics, who are headed by Professor Palle Olsen, of Copenhagen University. In a pamphlet entitled "Say No to Hamlet," they are urging a boycott of the Old Vic production which is to open, with Derek Jacobi playing the prince, at Elsinore on August 21.

The professors say Shakespeare should have told the audience that Hamlet's job was to get on with overthrowing tyranny, as represented by his father's ghost and his uncle. On top of that, Hamlet failed to tackle the role of women in society. He displayed a lamentable male chauvinist attitude to Ophelia, instead of "seeing the feminist reality of her position as a captive of the system."

Our's a simple, revolutionary and comprehensible view of Hamlet, says Olsen. "The rest should be silence."

That is why the play at Kronborg Castle deserves to be boycotted."

When I put this argument to Toby Robertson, director of the Old Vic production, he was quick with some rival dialectic: "The way we see it down here in the Waterloo Road," he said. "Hamlet is in revolt against the realpolitik of the Claudian system. Society had been corrupted by the king's emotional capitalism. Hamlet was really a Marxist, since Marxism is the liberation of self."

"As for Ophelia, she got just what she deserved."

But Danish theatre-lovers have pre-empted the debate. The 30,000 seats for the 16 performances at Elsinore have already been sold out.

Confusion reigns

With high interest rates, time is worth more money than ever nowadays. Perhaps this accounts for the growing incomprehensibility of business letters, as companies seek to delay expensive transactions by sowing confusion. Lucas Industries has turned up a prime example in its latest house magazine, which reads:

"Dear Sirs,—We beg to advise you that we are taking it that your letter of 1st inst. ref. GHS 36.0, which refers us to your letter of 25th ult., actually refers to our letter of 25th ult. ref. GHS/HC. RE.78180 which is referred to in our 1st inst. ref. HCW/CB. Yours faithfully, etc etc"

This type of eye-twisting prose is undoubtedly more effective than weak excuses for non-payment, which I touched on recently.

A reader tells us that the chief accountant in one company had been driven to distraction by a series of such excuses, which had included "we mislaid

your account," "the managing director is not available to sign cheques," "the computer has broken down" and "the accountant who deals with your account is on holiday."

Finally the accountant wrote to the supplier listing all the excuses that had been made for nonpayment. The supplier wrote back:

"Dear Sir,—I must apologise for the poor quality of excuses given to your company . . ."

Matter of forms

Every British trade mission to Brazil has come back with a basic view: the opportunities are wonderful, if you can fight your way through the paperwork. So industrialists and import-export companies in Sao Paulo and Rio are waiting expectantly for first signs of the country's "debureaucratisation," some admit to scepticism. With a trumpet-blast of publicity, Helio Beltrao was recently made Minister Extraordinary for Matters of Debureaucratisation. He says: "The civil service in Brazil wants a document for everything. It presumes everyone is a liar until he proves the contrary. From now on, the reverse must apply: people must be taken at their word."

But for all Beltrao's high ideals, he has an entrenched system to fight. Brazil has been regarded as a bureaucracy's heaven ever since Portugal colonised it 400 years ago.

Castle in the air

A guide was battling to make herself heard against the roar of overhead airliners at Windsor Castle the other day. After one such interruption an American in the tour party demanded: "What's wrong with the town banners round here? Why did they build the castle so near the airport?"

Observer

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The fuel trauma and the airlines

BY MICHAEL DONNE, Aerospace Correspondent

THIS SUMMER, the world's airlines have been going through a traumatic experience, as a result of the steep rise in fuel costs which have already wrought havoc with their budgets for the current year. Their fuel bills, originally expected to amount to just over \$4bn in 1979, have already soared by more than 80 per cent to \$7.3bn.

The most immediate response has been to raise fares. They went up in April by 5 to 7 per cent, which helped the airlines to recoup about \$1bn of the additional fuel costs. Now, they are to go up from September 1 by another 8 to 15 per cent, depending on the routes. It is hoped this will help the airlines to recover the rest of the fuel cost increase. If not, further fare rises will have to be introduced later, and these will certainly occur if OPEC puts up its crude oil prices again in the months ahead.

Individual airlines' experiences vary, but British Airways says its fuel bill for this year is likely to be up 70 per cent from last year's \$240m to over \$400m. While some of this is due to more flying because of growth, the bulk of it is due to price rises.

The average world airline price for fuel, which late last year was between 40 and 45 cents a U.S. gallon, is now around 75 cents, and is expected to go well above 80 cents before the year-end. Already, rates of well over \$1 a gallon on the spot market are common, and many airlines are buying fuel at that price, simply to keep operations intact in the face of cutbacks in supplies from major oil companies. One big U.S. airline, Braniff, says it is only getting 77 per cent of its fuel needs from the normal supplies and is buying the other 23 per cent on the spot market, at over \$1 a gallon.

While the airlines believe that the dearer fares will deter some passengers, they do not believe that they will result in a dramatic drop in traffic—unwrought havoc with their budgets for the current year.

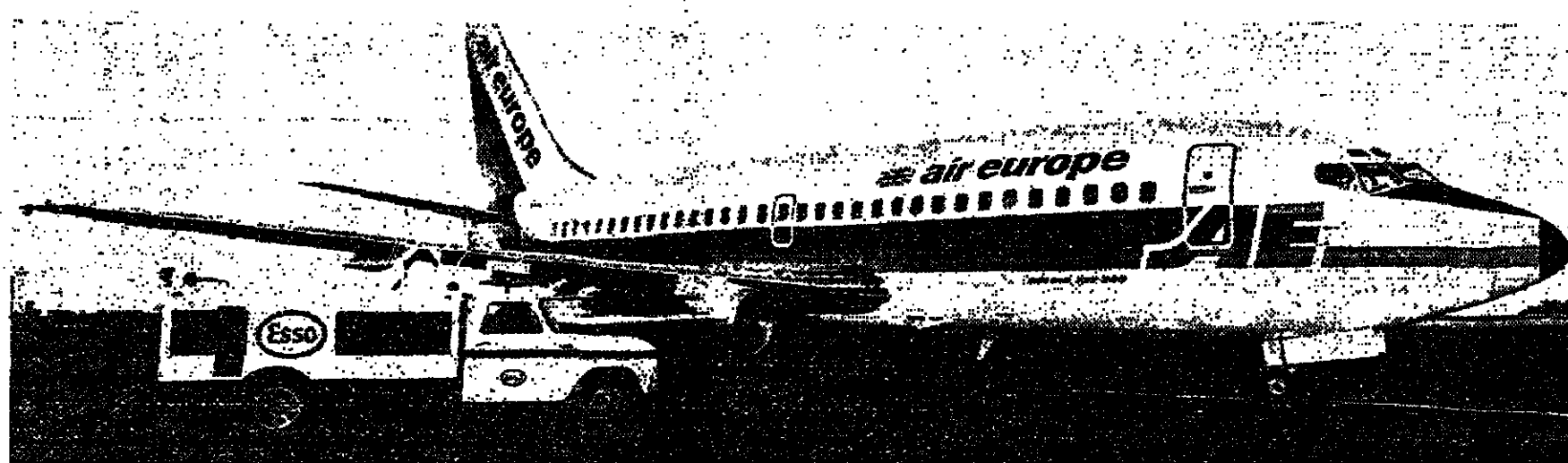
Rather, they expect the effect to be a slowing of the rate of growth of passenger traffic, perhaps around 5 per cent a year, against the 10 to 12 per cent a year that has been seen in the immediate past.

Even though the entire "fares plateau" is now being raised sharply, the airlines argue that within that structure there will still be some remarkably wide fare differentials, with many "public excursion fares" at rates up to 30 per cent cheaper than "normal economy class fares". For example, which airlines will try to preserve these differentials, even if fares have to go up again after September, so that it should still be possible for passengers to get comparatively cheap flights—though at a dearer level than hitherto.

Revisions

Airlines are now revising some of their forward estimates of traffic growth. British Airways, for example, which earlier this year was working on the assumption that it would be carrying around 30m passengers a year by 1988, against the present 16m, is now thinking in terms of reaching 30m a year closer to 1990.

Forecasts in other areas of civil aviation may also have to be re-examined in the light of the pressures arising from the fuel price increases. It is possible that some of the airport developments for the 1980s may have to be revised. This does not seem to be true for London Heathrow, the South-East, Gatwick, and the British Airways Authority remain convinced



Glyn Genn

that the pressures on existing airports at Heathrow and Gatwick will become so severe that new terminal developments at both of them—the fourth terminal at Heathrow and a second terminal at Gatwick—will still be necessary, with also eventually a third major airport for the area.

The BAA argues, for example, that it has already built into its passenger forecasts some very pessimistic assumptions about traffic growth, but that it still expects a rise of about 5 per cent a year through the 1980s. Thus, it still believes it will need the fourth Heathrow terminal, to raise that airport's capacity from 30m to 38m passengers a year, and the second terminal at Gatwick, raising its capacity from 16m to 25m passengers a year in the south-east airports by the mid-1980s.

But by the late 1980s, even with dearer fares and the possible effects on air transport of an economic recession, there

will still be a shortfall of airport capacity over demand, and thus, a third airport will become necessary.

This will be to meet not only traffic growth that by then will have resulted in well over 60m passengers a year, but which will also continue to rise into the 1990s. The BAA bases its arguments on the fact that air travel growth is not going to come to a halt, and decline, but is likely to keep on growing at a slower rate through to the end of the century and beyond, because it is now an indispensable adjunct to world economic activity.

Nor is the fuel problem likely to halt the re-equipment tide now flowing through the world's airlines, although it may slow it a little and stretch it over a longer period of time. This is because the new generation of jets—the Boeing 757 and 767, the European Airbus A-300 and A-310, the McDonnell Douglas DC-9-30, and the latest versions of the 747 Jumbo jet, Lockheed TriStar and McDonnell Douglas DC-10—will all be needed to replace existing ageing, noisy

and fuel-inefficient aircraft. About 30 per cent of the 3,500 airliners expected to join the fleets by the early 1980s will be needed to replace existing jets, and the rest will be needed to cope with traffic growth through to the end of the century.

The introduction of these new aircraft will help the airlines a great deal in meeting their fuel problems. British Airways says that the new Boeing 757 will consume up to 40 per cent less fuel per passenger than an existing Trident Three jet, while a Boeing 737 will burn up to 25 per cent less fuel.

What worries the airlines more than the fuel price rises is the supply situation, which is acute in some parts of the world, such as India, the Far East and some parts of the U.S. This has already obliged some airlines to trim flight frequencies or even to cut some services entirely. Air Canada is cutting out flights to Toronto/Montreal and Shannon this winter, while Trans World has cut flights between New York and Ireland, and between some marginally uneconomic European points.

This trend has not yet become widespread, but it could do so if fuel supplies get worse, and many more of the world's marginally profitable routes could be eliminated.

In the meantime, the airlines are now concentrating upon making the best possible use of every available drop of fuel, and this is resulting in some remarkable innovative thinking in the air transport industry. British Airways, for example, has been asked by the Department of Trade to cut its fuel requirements by 5 per cent from this autumn.

Speed cuts

Ways of doing this include cutting airliner cruising speeds; improving the routes they fly in order to reduce distances and flying times; making more use of computer-controlled "flight management systems" aboard aircraft, which enable pilots to fly more accurately over the shortest distance between specific points; improving the accuracy of climb and descent

procedures, and trying to avoid "stacking", which is wasteful of time and fuel.

Many of these improvements, of course, cannot be achieved by the airline alone. They depend upon the goodwill and increased efficiency of others, including operators of air traffic control procedures, especially on long-haul international flights passing over many different countries. But it is thought that if all these measures can be used together, for British Airways alone they could result in a saving of up to 10m gallons of fuel a year. This is only about 1 per cent of its total consumption, but at prices of anything up to \$1 a gallon, the cash saving is substantial.

But all these measures, vital though they may be, cannot alter the fact that in the short term some flights may have to be cut out entirely. It is possible, for example, that on the denser traffic routes, both long and short-haul, the number of flights per day will be reduced, thus helping to push up loads on those flights remaining. British Airways has said that as far as possible, it will try to ensure that all destinations served today will continue to get services, but the frequencies may have to change.

In the longer-term, the pressures will also be on the manufacturers to produce bigger airliners. Already Boeing is studying a 600-seater Jumbo jet, in which British Airways is interested. This will be a much heavier aircraft than any built hitherto, requiring engines of greater power—up to about 60,000 lbs of thrust. But they will be even more efficient engines than those of today, with still further improvements in fuel consumption. All that is holding back Boeing—and the engine manufacturers—is the need to win enough customers to justify the costs involved in developing the engines and airframes.

Rolls-Royce, for example, has developments under way for the RB-211 that will improve its fuel consumption by about 5 per cent over engines already in service, and it can see further developments in the future that will give another 5 per cent improvement.

All these developments indicate that the airlines, and the aircraft and engine manufacturers, are taking the fuel crisis seriously. They accept that it is unlikely to be of comparatively short duration, such as that of 1973-74, and that the more permanent nature of the problem will dictate more fundamental solutions. At present, like everyone else, they are feeling their way forward in an uncertain situation, but because aerospace has always been an industry accustomed to long-term forward planning, it is probably better placed to meet the crisis than many other industries.

New auditing requirements

From Professor J. Shaw

Sir, Mr. Percy (August 1), urges us to influence the Government to change the law. He summarised well the reasons which argue for change, but he came to the wrong conclusion. The review procedure he proposes for the accounts of small companies will not do because it is inconsistent with the objectives of audit.

The audit function lends credibility to the accounts submitted by directors to shareholders and thereby adds to their usefulness. A disclaimer of audit opinion, or a heavily qualified audit opinion, adds neither credibility nor usefulness. Indeed, it is likely to add confusion and misunderstanding.

Confusion and misunderstanding will certainly result from the proposed review procedure. As explained by Mr. Percy, this seems to be some sort of "near audit". Near audit is no audit. Any change in the law should not seek to substitute an ineffective review procedure. Small companies should be allowed quite simply to opt out of the audit requirements. That would not interfere with but would emphasise the continuing responsibility of directors to prepare, or have prepared for them, accounts which show a true and fair view.

Accountants in public practice could then concentrate on assisting directors of small companies to understand and discharge their reporting responsibilities. They would have more time to assist such directors to a better understanding of modern financial techniques. They could contribute to improving the quality of managerial control decisions. Thus, the accountancy profession could help significantly in improving the quality of management, and thereby the commercial performance, of the many small companies which play an important part in our economy.

This would be a far more useful service for the accountancy profession to render to the community than the continuation of attempts to audit the unaudit-able, or the adoption of an inappropriate near audit as implied by the proposals for "review".

(Prof.) J. C. Shaw, Department of Accountancy, University of Glasgow, 67, Southpark Avenue, Glasgow.

Combined heat and power

From Professor D. Bell

Sir—I was disappointed to see that your review (July 27) of Energy Paper No. 35, on combined heat and power, started with a reference to "heat wasted in power generation". The heat in question is the heat rejected at the low-temperature end of the Carnot cycle: it is not "wasted" in power generation, because it is an inevitable part of the process of converting heat energy into mechanical energy.

In a theoretically ideal system this rejected heat (the proper term for it) would be at ambient temperature and no one would think of it as available heat. But in practice it must be a little above ambient temperature to allow it to pass out through the heat-exchanger (condenser) at a reasonable rate—but so little above that it

Letters to the Editor

can be used for little other than fish farming.

As soon as one starts modifying the power cycle (using either "back-pressure" or "pass-out" turbines) in order to raise the temperature of the rejected heat, the calculation of combined efficiency becomes complicated, but it is not obvious that there is a useful overall fuel saving, certainly not enough to cover the enormous capital cost which incidentally must be included in fuel element.

Careful reading of Energy Paper No. 20, shows that it is not true that combined heat and power is widely used in other countries, though it has been used in special cases in some European countries. The idea appears to be unknown in the U.S. This is not to rule out district heating, but that is not the same thing. District heating may be run from separate special-purpose boilers or better still from geothermal heat. Both are being used in Paris.

Mr. W. Wilson's letter (August 3) invites one particular question: does he really think there would be public acceptance of placing in a town a nuclear power station, particularly a type like the advanced gas-cooled reactor which has no track record? In fact, I think we shall need to rely on the fast breeder reactor to save the world, and that would surely be still more difficult. Combined heat and power requires more thought, not less.

(Prof.) D. A. Bell, 87, East End, Walsingham, North Humberside.

Saving fuel

From Professor M. Hampshire

Sir—With reference to Dr. Walker's letter on "Saving copper and fuel" (July 31), I would point out that a two-wire single cable system for controlling vehicles, has been jointly developed by the University of Salford and Ward and Goldstone. The system is in an advanced stage of engineering and has aroused much international interest. In middle- and up-market cars, multiplexed wiring systems, as they are called, can reduce the amount of copper by 75 per cent. Weight saving, however, is not so significant taking vehicles as a whole and there will not be a significant reduction in fuel use, if multiplexing is widely adopted.

Significant fuel savings could be achieved by using micro-electronics for engine management thereby increasing the burning efficiency of fuel, and for control of automatic transmissions which, as designed at present, are very wasteful of energy. Both these areas are being actively researched at present.

(Prof.) M. J. Hampshire, Department of Electrical Engineering, University of Salford, Salford.

Storing energy

From Mr. P. Kelley

Sir—I was very interested to read the article by David Fishlock (August 1) which gave me just a little more confidence that something is being done to look after the energy needs of our children and grandchildren. The article highlighted the

Third London airport

From Mr. F. Steiner

Sir—Mr. A. G. A. Mackay (Letters, August 2) may be right in identifying in some Essex marshes the most suitable site for London's third airport—but must there be a third London airport at all? Whenever I go to Germany on business I do not simply fly to the "German international" airport but choose whatever major airport is nearest to my destination. The same applies even in tiny Switzerland where there is a choice between Zurich and Geneva, and to some extent Basle. Why, then, must over two-thirds of all air travellers to this country travel via its south-eastern corner and the majority of those, through Heathrow?

If it be objected that Heathrow is a major airport for through traffic, and for passengers not landing in the UK passing through there, one might reply that Zurich and Frankfurt, too, are entrepôt or turntable airports, yet they do not monopolise their countries' air traffic to the same extent. Perhaps the next major airport should be sited in the north Midlands rather than in Greater London, or even perhaps between the Sheffield area and the Scottish border.

F. M. M. Steiner, 26, Oakeshott Avenue, N.6.

Encouraged to save

From Mr. R. Lancaster

Sir—While Mr. Beattie's suggestion (August 3) that tax concessions should be removed from the financial institutions is not entirely without merit, and Lex appeared to be reflecting similar sentiments that day, contrary points may legitimately be made.

The suggestion disregards what was surely the original purpose of these concessions, viz, to encourage the prevention of financial hardship consequent upon a premature death (in the case of life assurance) or upon excessive longevity (in the case of pensions). Similar reasons apply to charities, which also benefit greatly under present tax laws.

These remain arguably valid purposes, if people are to be encouraged to do other than rely on the state at times of severe misfortune. The difficulty is that, when tax concessions are introduced for one purpose, they become adroitly adapted for other purposes, e.g., the life assurance concession is now the starting-point for savings plans having more to do with short-term investment than with insurance in its true sense. Removal of the concessions, however, would lose the baby along with the bath water.

The snag with removing the tax bias towards saving

in a particular form... is that it assumes that peoples' propensity to save rather than spend would remain unchanged. In an era of high inflation, long-term savers in particular need all the help they can get.

In the context of saving towards retirement—which accounts for the bulk of long-term saving—the tax bias does not, in any event, favour channeling savings into the hands of institutions. A pension fund may be quite properly run without any institutional involvement (unless the pension fund thereby itself becomes "an institution") and many companies have found this a useful means of generating finance.

R. Lancaster, 243, Caledonian Road, N1.

A tax on sales of homes

From Councillor S. Ewing

Sir—I think it is most unlikely that tax relief will be abolished on building society interest in the life of this Government and there is no reason to believe that the next Labour Government will do anything to alienate its own voters.

What I think is much more likely, bearing in mind the tightness with which most family budgets are compiled, is that the gain on selling owner-occupied dwelling houses will be subjected to capital gains tax. I seem to recollect this was part of Mr. Callaghan's Budget in 1965, but it was withdrawn as the Bill was going through the House of Commons in the face of bitter opposition from his own back-benchers as well as, of course, from the Tories. Mrs. Thatcher is anxious to broaden the tax base and this is possibly now the most painless way left. The deduction of tax at source could be made by the solicitor acting in the conveyancing and passed on to the Revenue in the usual way. What the taxpayer never has, he never misses.

(Councillor) Stewart Ewing, City Chambers, Glasgow.

Food import levies

From Mr. G. McBroom

Sir—In her article of August 2 Margaret Van Hatten reported the possibility of EEC tax on our farm exports from our EEC partners. There is a much more costly certainty arising from the disappearance of MCAs (monetary compensatory amounts).

From now on the UK will have to pay the full EEC import levy when buying certain basic foods from non-EEC countries. This is no small item. On a simple basic food such as lamb, the import levy amounts to about £90 per tonne or about 25 per cent of the value. To the housewife, it means an extra cost of over 4p per lb unnecessary tax.

In fact, the excessive levy has all but eliminated the traditional UK lamb trade with non-EEC suppliers. Meanwhile, our EEC farmers enjoy a £90 per tonne protection when they sell their lamb to the UK.

Because the UK is the major food importer in the world, these EEC food import levies penalise mostly the UK. G. McBroom, 130 Bebbington Road, Rock Ferry, Birkenhead, Merseyside.

Today's Events

GENERAL

UK: London clearing banks' monthly statement (mid-July).

UK banks' eligible liabilities, reserve assets, reserve ratios and special deposits (mid-July).

Pilkington glass workers call 24-hour strike over pay claim.

Overseas: The Commonwealth Heads of Government Conference continues in Lusaka.

Sir Kenneth Cork, Lord Mayor of London, meets Governor of the Bank of Thailand, in Bangkok.

Dublin Horse Show opens (until August 11).

COMPANY RESULTS

Final dividends: Acorn Securities, Acrow, Asea, Bristol Evening Post, Centraway, Cooper Industries, Cowan de Groot, Hambro Trust, Smith Bros. Unitest, George Whitehouse Engineering, Interim dividends: Aaronson Bros. Aquis Securities, Carron Company (Holdings), Horizon Travel.

COMPANY MEETINGS: Stead and Simpson, Fosse Way, Syston, Leics, 12. Trifus, 4, Holborn Circus, E.C. 2.30.

Triplex Foundries, Upper Church Lane, Tipton, W. Midlands, 12. Walker and Staff, Walker House, 6-8, Boudry Street, Shoreditch, E.C. 12.30.

CURRENT EXHIBITIONS: Doulton products, with the story of Doulton as they are, Victoria and Albert Museum (until August 13).

Summer Exhibition, Royal Academy of Arts (until August 12).

One thousand years of British Gardening, Victoria and Albert Museum (until August 26).

Holbein and the Court of Henry VIII, Queen's Gallery, Buckingham Palace (until September 30).

150 years of the Metropolitan Police, Museum of London (September 20).

LUNCH-TIME MUSIC, LONDON: Recital of French organ music, Margaret Phillips, St. Lawrence Jewry, next Guildhall, 1.00 pm.

Forty-eight Preludes and Fugues by Bach, Harold Dexter, St. Botolph Aldgate, 1.00 pm.

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UK COMPANY NEWS

Ellis & Everard tops
£1m: liquidity improves

PROFITS EXCEEDING £1m and a total dividend raised from 5p to 5.75p are announced by Ellis & Everard, distributor of industrial chemicals, for the year ended April 30, 1979.

The pre-tax profit of £1.05m compares with £988,000 for the previous year which included results of the building supplies division sold in August 1978. This year's profit includes no contribution from that division and is almost entirely attributable to chemical merchandising operations.

The directors say the year's profit is below expectations at the time of their interim report—mid-way profits were £546,000 against £622,000. After a good start, the second part of the year was affected by industrial disputes and severe weather conditions.

Earnings per 25p share, before tax, are shown as 15.8p against 10.5p and 13.9p (5.2p) net. The final dividend is lifted from 5p to 5.75p.

Turnover for the year amounts to £22.1m. Last year's £42m included a contribution from building supplies of £23.9m.

Attributable profit, after a much lower tax charge and an extraordinary surplus is 211 per cent higher at £1.05m against £348,000.

The directors say the building supplies division sale was one of three transactions last year which made a significant difference to the group. The others were the sale by Unilever of

HIGHLIGHTS

Surging oil prices burst through into July wholesale prices and Lex looks at the latest inflationary trends, which come against a background of buoyant retail sales and HP credit advances during June. Elsewhere Lex looks at the big stock gains currently being seen in the oil sector in the light of the recent U.S. quarterly figures ahead of the Shell and BP results which are due soon. Finally on a day when sterling weakened, the impact of the Chicago futures market on the sterling foreign exchange market is examined.

29 per cent of its holding to ICI and the repurchase by Ellis and Everard of ICI's minority holding in Ellis and Everard (Chemicals).

The result of these transactions has been to improve liquidity and to increase earnings attributable to shareholders, the Board states.

comment

Having sold the troublesome building supplies side of the business, Ellis and Everard can now start focussing most of its attentions on the chemicals

division. The chemicals sector has not been a strong performer lately but Ellis has an edge over other companies by concentrating on small lot orders. In the past year trading was made more difficult by the effects of the lorry drivers' strike, the adverse winter weather and some shortages of naphtha—and phosphate-based chemicals. Group profits were just over eight per cent higher—much in line with market expectations. The outcome was helped by a drop in interest charges, made possible by the first tranche payment from Travis and Arnold for the building interests, which helped cut borrowings from £1.6m to nearly £0.2m. For the immediate future the uncertainties of the economy make the outlook uncertain, especially if raw material and transportation costs continue on an upward spiral. At 82p the shares stand on a p/e of 8.4 while the yield is 8.3 per cent.

1978-79 1977-78
Turnover £22,100 £42,000
Interest charges £1,051 £988
Profit before tax £1,051 £988
Tax £227 £227
Net profit £824 £761
Minorities — 131
Extraordinary item — 158
Attributable dividends 1,052 383
Ordinary dividends 283 330
Includes £34,000 from building supplies. Includes £75,000 from building supplies.

comment

Having sold the troublesome building supplies side of the business, Ellis and Everard can now start focussing most of its attentions on the chemicals

Ward & Goldstone profits
cut back in second half

NATIONAL industrial disruption cut back second half profits of Ward & Goldstone from £2.1m to £1.6m leaving the taxable surplus for the year ended March 31, 1979, down from £3.34m to £3m. Turnover finished the period ahead from £62.55m against £59.9m.

The directors state that sales for the first quarter of the current year are 12.8 per cent higher than the corresponding period last year.

Pre-tax figure was struck after depreciation £1.48m (£1.61m), and bank interest £741,507 (£507,369).

Tax charge for the year was much lower at £22,005 compared with a previous £1.55m giving earnings of 19.85p (15.69p) per 25p share—there was a prior year adjustment credit of £1.7m (nil).

Total dividend for the year is stepped up to 4.9916p net with a final payment of 4.9916p—last year's total was 4.5378p.

Ward manufactures insulated wires and cables, electrical and plastic accessories.

Capital expenditure during the year amounted to a record £3.64m against £2.77m in the previous year.

comment

This is the second year of turnover growth coupled with lower profits from Ward and Goldstone. Pre-tax profits are down by 10 per cent and there is no immediate salvation in sight. Analysts agree that industrial disputes in the second half contributed heavily to the group's poor performance. The Ford strike (Ford is a major customer for automobile wiring), transport strike and the group's own labour problems combined with a declining export market to damage earnings. Exports dropped by 28 per cent over last year. Although first quarter sales are 12 per cent higher than the same period ended last June, margins are down and the company may not achieve higher earnings simply on increased turnover. It has embarked upon a programme of factory purchases (two factories costing £3.6m), which could pay off in the near future, but a fire near one of the new factories has slowed its progress. The total dividend is up 10 per cent, yielding 7.9 per cent at yesterday's share price of 94p. This is covered 1.9 times on fully taxed earnings, with the p/e at 9.5 on the same basis. Ward and Goldstone is certainly looking to its higher sales volume and factory purchases to improve its performance next year, but in the current market it is not the most attractive share to hold.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div. year	Total last year
Anglo-Am. Asphalt	1.67	Sept. 25	1.62	2.13
County and District	1.37	Sept. 24	0.44	1.76
Ellis and Everard	3.5	Oct. 5	3	5.75
Howard Shuttering	1	Oct. 9	0.5*	1.54
Owen and Robinson	10	Oct. 5	10	16
Ward and Goldstone	4.09	—	3.67	4.99

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

County and District progress

AFTER tax, the amount available for distribution by County and District Properties for the year to March 31, 1979 advanced from £26,412 to £35,238. Turnover for the period amounted to £1.25m compared with £1.37m.

Tax took £78,506 against £54,383 and earnings per 10p share moved ahead from 5.26p to 6.35p. The final dividend is 1.26918p for a 1.7598p (0.8878p) total, and a one-for-two scrip issue is proposed.

Following a revaluation of group properties the net asset value per share at March 31 was 217.1p (142.6p). The directors state that borrowings only amount to 13.1 per cent of gross assets, and substantial unused lines of finance are available for future requirements. Work on major developments will be commencing during the current year.

Symonds Engg. turnover ahead so far

Mr. G. A. Rowley, chairman of Symonds Engineering Company, feels it would be imprudent to

Size of Hill Samuel Agricultural doubled

The Hill Samuel Agricultural Property Unit Trust virtually doubled in size from £12.6m to £22.95m over the year to March 31, 1979 according to the latest report. The unit price advanced 21 per cent over the year and the value of the distribution increased 27 per cent from £60.15 to £76.47 per unit.

During the year, the trust concentrated on increasing the number of let farms in the portfolio. It bought a number of farms during the period bringing the total let land to 9,845 acres in possession. The fund still expects that the majority of its holdings will be in the eastern and East Midlands regions, but it is now investing countrywide.

OIL AND GAS NEWS
BP-Woodside Petroleum
North West Shelf deal

BY JAMES FORTH IN SYDNEY

BRITISH PETROLEUM has entered into an agreement which will increase its interest in oil exploration areas on the North-West Shelf of Australia. BP will farm-in on two areas held by Woodside Petroleum, a member of the consortium which has already made major discoveries of natural gas on the shelf.

The agreement provides for BP, another member of the shelf consortium, to take over 100 per cent of Woodside's drilling costs of two wells in Permits WA37P and NTP5 in the outer Browse Basin. The wells may cost in the region of \$10m (£5m) each and are part of a new deep water programme in the area.

Under the deal, BP will obtain 50 per cent of Woodside's interest in the two permits which will lift BP's own interest from 16.66 per cent to 41.66 per cent. It is planned to drill a well, Buffoon No. 1 in WA37P and Mount Asmore No. 1 in NTP5. Water depths will be between 500 metres and 1,000 metres. One previous hole was drilled in each of the two permits without success. However, several years ago a

forecast results early in the current year, with due regard to all the uncertainties in the national economy that lie ahead.

The order book is good, however, and turnover for the first four months of 1979-80 is showing an increase on the corresponding period last year.

As reported on July 27 taxable profits for the year ended March 31, 1979, rose from £192,495 to £221,492 and the net dividend is stepped up to 1.55p (1.3454p) per 5p share.

At balance date fixed assets stood at £42,046 (£416,466). Net current assets were £540,285 (£587,258).

Meeting, Great Eastern Hotel, EC, August 30 at 11.30 am.

£0.41m for Howard Shuttering

Pre-tax profits of Howard Shuttering (Holdings) rose from £235,373 to £409,968 in the year to April 30, 1979, on turnover of £3.22m, against £3.38m.

At the halfway stage, the surplus was ahead from £114,012 to £218,366.

After tax for the year of £213,052 (£147,381), earnings per 10p share are given as 4p (3.5p). The net total dividend is raised from an adjusted 0.99p to 1.54p, with a 1p final.

NORWICH UNION ANNUITIES UP

The Norwich Union Insurance Group has just finished a complete reassessment of its immediate annuity rates which has resulted in these being

increased by some 25 per cent. Therefore, an outlay of £10,000 will now secure an immediate annuity of £1,619 a year for a man aged 65 or £1,997 for a woman aged 60, the payments being made half-yearly. Under the old rates, the amounts would have been £1,336.60 and £1,514.

The annuity rates of the group are highly competitive after this revision.

Profit had slumped at the halfway stage from £254,000 to £3,000, but the directors were confident of a return to profitability in the near future.

They state now that the adverse market conditions for pipeline coating systems prevailed throughout the year and demand for products was poor.

However, the outlook is encouraging and in the first quarter of the current year there has been a marked improvement in trading conditions. There is a clear indication that major pipeline projects are moving ahead, the Board states.

Turnover for the period declined from £2.96m to £2.12m.

The investment managers point out that since the first farm was bought in July 1976, the fund has spent more than £1m on improvements to the farms and surroundings. A substantial part of the expenditure is on land drainage, soil improvement and flexibility of working, leading to higher crop yields.

The fund changed its name during the year from Mutual Agricultural Property Fund. Its aim is to provide pension funds with a vehicle for investing in agricultural land. The farm portfolio at the year end was valued at £18.39m—spread 41 per cent in eastern England, 55 per cent in the East Midlands, 3 per cent in the South West, and the remainder in Scotland.

Elf-Gabon, a subsidiary of France's Elf-Aquitaine, plans to begin production at a moderate rate at its GMB well, off the Gabonese coast, during the second quarter of 1980.

Production at the GMB well, on the Izuella-Mayumba permit, 60 kilometres south-east of the town of Mayumba, will be the first step in trying to assess the oil discovery first reported last January.

Additionally, Elf-Gabon will continue work aimed at assessing oil discovered at wells GMA and GMP which is expected to last through 1980.

Elf-Gabon, the operator, has an 84 per cent stake in the GMB well, and Hispanoil the remaining 16 per cent. In wells GMA and GMP Elf-Gabon has a 75 per cent holding, Shell-Gabon has 15 per cent and Hispanoil 10 per cent.



Mr. J. O. Hambro, chairman of Hambro Trust, who is due to announce today the group's preliminary figures.

A. American Asphalt runs into loss

THE DIRECTORS of Anglo American Asphalt Company announce a pre-tax loss and a cut in the dividend for the year ended March 31, 1979.

Despite associated profits for the period of £126,585 against £191,066 the group finished with a loss of £76,913 compared with a £255,359 profit previously.

The dividend is cut from 2.635p to 2.13p, with a final payment reduced from 1.82p to 1.065p net per 25p share.

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New Issue

This advertisement appears as a matter of record only

August 7, 1979



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Private Placement

7½ % Bearer Bonds of 1979/1989

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N.V. AMEV

through its subsidiary

AMEV Limited

has acquired

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from

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The undersigned initiated this transaction and acted as financial adviser to N.V. AMEV

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July 1979

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U.S. \$ 75,000,000

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Bayerische Vereinsbank
Deutsche Bank Aktiengesellschaft
Kuwait Investment Company (S.A.K.)
Société Générale de Banque S.A.
Union Bank of Switzerland (Société) Limited

Companies and Markets

UK COMPANY NEWS

Downing continues with heavy expenditure plans

WITH A continuing capital expenditure programme, G. H. Downing and Co. has agreed spending of £1.25m in the current year, a large proportion of which will be spent in the first half. Mr. D. S. Hartley, chairman, says in his annual statement.

With the new plant at Chester, output of facing bricks in a full year will be some 40 per cent higher than last time, he adds. During 1978-79, some £2.3m was invested in new plant, mainly at Chester.

The Keele tile works has been undergoing major alterations during the past six months. This will result in a production increase of about 33 per cent in September.

Building activity has been slow to pick up after the bad winter, the chairman says. Current interest rates are not conducive to a high rate of private building, which is needed to offset public spending cutbacks.

The recommitment of the original bid at Chester was delayed because of the rapid rise in brick stocks. The new kiln is working well and producing its designed output. Both kilns are now in production and stocks are being rapidly reduced.

"We are confident of selling our output of both bricks and tiles," the chairman says. The directors expect to have finalised by December the conversion of three of the main units to colliery methane as the prime fuel.

On the refactories side, the chairman says the group is striving to achieve new export markets with some success. But competition at home and abroad is severe.

In Holland, demand for bricks so far this year has been much slower developing than expected. Large stocks were accumulated during the winter and are only slowly being reduced. Some improvement is anticipated in the second half.

As reported on July 12, (taxable profits reached £1.85m (£1.72m) in the year to March 31, 1979, on turnover of £14.24m (£12.74m).

At balance date, group fixed assets were up from £9.93m to £11.17m, while net current assets were £1.74m (£1.8m). Bank overdraft was cut from £1.04m to £7.00m.

Meeting, Stoke-on-Trent, August 29, at 12.15 pm.

Good first half for Natl. Employers

A good first half for new life, pensions and permanent health new business is reported by the National Employers Life Group of companies. New annual premiums advanced by nearly 30 per cent to £5.3m, while single premiums were over 40 per cent up at £1.6m.

On annual premiums business

the group's main marketing areas—self-employed pensions, executive pensions and group permanent health insurance—again showed strong growth. But the companies experienced heavier than usual sales of ordinary life business, although this still remains a minor sector of new business.

The growth in single premium business arose from higher sales of immediate annuities, the company having maintained competitive rate structure in this sector. Single premium self-employed pension business remained buoyant.

£49,300 for Owen and Robinson

Taxable profits of Owen and Robinson, jeweller and silversmith, slipped from £59,376 to £49,303 in the year to May 31, 1979, on marginally higher turnover of £1.13m, against £1.07m.

At the midway stage, the surplus was little changed at £12,050, compared with £11,486. After sharply lower tax for the year of £1,336 (£2,771), net profit came through well ahead at £44,967, against £9,605. Earnings per £1 share are shown to have risen from 40.18p to 62.14p. The net total dividend is held at 16p with a 10p final.

BTR has 20% of Bestobell

In the wake of its increased £29m bid, BTR has now picked up enough Bestobell shares to give it a holding of over 20 per cent.

Hill Samuel, advisors to BTR, announced a 1m share purchase yesterday at 220p—equivalent to the cash value of BTR's new share or cash offer—and bought a further 700,000 or so later in the day.

Acceptances have also been coming in steadily in response to the improved BTR terms. Last Thursday, BTR had just over 10 per cent of the equity of Bestobell, which has since rejected the new bid as vehemently as it did the first.

Bestobell, which has forecast a 30 per cent profits rise and a higher dividend this year, is publishing its detailed reply later this week, along with first-half figures brought forward from the usual September date.

Bestobell's shares closed unchanged at 220p yesterday, while BTR put on 5p to reach 300p. At this level, BTR's new offer of 11 of its own shares for 13 of Bestobell's is worth nearly 22p a share.

REDMAN/WELLMAN
Redman Heenan's offer for Wellman Engineering has been accepted in respect of 187,615 shares (1.67 per cent). Prior to the announcement of the offer Redman Heenan held

2,035,000 shares in Wellman; it has acquired a further 215,000 during the offer period making its holding 2,250,000 (18.97 per cent).

Hambros Bank has purchased 50,000 shares of Wellman and intends to assist these to the offer.

REVERTEX/WARDLE TRANSACTION
Revertex and Wardle Co. has agreed to buy part of the plant and the stocks of the acoustic products division from Revertex Chemicals for about £250,000 subject to actual stock levels. Wardle will also take over the leasing agreement for the remainder of the plant.

Revertex will retain the Rushden factory until production is transferred to Wardle's existing facilities. Then Revertex will close it; this will mean some redundancies about which the trades unions have been informed.

By the acquisition Wardle will expand its capacity for manufacturing noise control products currently produced at its Blackburn factory and broaden the base of its insulation and sound deadening range.

Revertex says the transaction, with the disposal of other fixed assets, should have been taken over. He was effectively blocked by the family which, owing over 50 per cent of the shares, could veto the idea. Mr. Hermann Simon, the founder of Evode, well known for its Evoxist adhesive, died last year.

It is still not clear why Mr. Wright entered into negotiations to sell the company while the family was against the idea. Although the family only expressed its unwillingness to sell formally last week, its attitude always appeared hostile to a takeover in principle. The family appointed Charterhouse

DAWNAY DAY COMPLETES
Dawnay Day Group has completed the acquisition of Melbourne Hart and an associated non trading company—Morris and Morris—for £1m cash.

Combined net assets of the companies at December 31, 1978 were £1.34m before tax for 1978 was some £214,000 including the cost of certain activities, not affecting the figures significantly that have been discontinued in 1979.

While results are likely to be affected over the next 12 months because of supply restriction should the weather cause a shortfall in last season's Havana tobacco crop, Dawnay Day is confident as to the longer term future of Melbourne Hart.

JOSEPH CAUSTON COMPLETES
Sir Joseph Causton and Sons has completed the sale of its freehold premises at Wianall Trading Estate, Wigan, to Leish Development for £500,000 cash before expenses.

The premises were formerly occupied by Carlton Repro International. Its activities have been relocated in Causton's Eastleigh factory and significant operating advantages and economies are expected from the move.

Book value of the premises is £346,000. There will be an appropriate write down in the year end accounts, partly offset by a write-back of the excess provision for capital gains tax made in the accounts for the year 1977/78.

SHIPPAMS
C. Shippam, UK producer of meat and fish spreads, has negotiated on behalf of the William Underwood Company the acquisition of Harry Peck and Co. (Aust.) Pty., Sydney, and its 88.15 per cent owned subsidiary, Lakes Entrance Processors Pty.

Peck is the leading manufacturer of meat and fish spreads in Australia, with a market share over 50 per cent, and the company also has a substantial canned meat business.

LADBROKE
Ladbroke Group has bought Twelve Knights Hotel, including repayment of directors' loans, for £375,000 cash.

The Twelve Knights is a privately owned, freehold property in Port Talbot, South Wales and operates a substantial pub, restaurant, function and conference trade.

The hotel is planned to have 40 en-suite bedrooms and have already been completed.

UNICORN BUYS
Through a subsidiary, Unicorn Industries has acquired the capital of the Belgian Tool Company, SA, whose business is the manufacture and sale of diamond saws.

Shareholders' funds at December 31, 1978, amounted to Bfr 48,942,000 (approximately £720,000). The company has a subsidiary in Milan and associates in Bristol, Oslo and Madrid. Belgian Tool will form part of the diamond products division of Unicorn.

JAMES GRANT
James Grant and Company (East) house furnishings retailer, has agreed conditionally to purchase nine shops trading as Carrick.

The new branches will be in Glasgow, Ayr, Kilmarnock, Paisley, Greenock, Hamilton, Wishaw, Airdrie and Dundee.

F. S. RATCLIFFE
West Bromwich Spring Company has added to its holding of F. S. Ratcliffe Industries, and now owns 82,500 of the ordinary shares. This represents about 10 per cent of the capital of the Rochdale-based precision spring manufacturer and painting contractor.

King & Shaxson
Limited
52 Cornhill EC3 3PD
Gift-Edged Portfolio Management
Service Unit 8.79
Portfolio 1 Income Only 88.78
Portfolio 2 Capital Growth 144.89

BIDS AND DEALS

Evode chairman resigns after takeover block

BY JAMES BARTHOLOMEW

Mr. Peter Wright, chairman of Evode Holdings, the adhesives manufacturer, has resigned following an announcement by the controlling family interests that they are "unwilling to dispose of their holdings in response to any offer in present circumstances."

In the light of this declaration, talks with potential bidders, which numbers more than 10, have been terminated. The talks had not been going well anyway, despite the number of applicants. Only one was left in the field last week and the chance of a firm offer was considered only 50-50.

Evode's shares slumped 11p to 40p yesterday after their return from a one month suspension. The Stock Exchange confirmed that it is continuing the preliminary inquiry into dealings in the shares.

They jumped 10p to 51p on July 2 before being suspended. The company said yesterday that it welcomed the inquiry.

The Stock Exchange makes about 40 or 50 of these inquiries a year and they are a stage more serious than the 2,000 odd notings of price movements made by the exchange.

Mr. Wright has resigned because he considered the company should have been taken over. He was effectively blocked by the family which, owing over 50 per cent of the shares, could veto the idea. Mr. Hermann Simon, the founder of Evode, well known for its Evoxist adhesive, died last year.

It is still not clear why Mr. Wright entered into negotiations to sell the company while the family was against the idea. Although the family only expressed its unwillingness to sell formally last week, its attitude always appeared hostile to a takeover in principle. The family appointed Charterhouse

as its adviser, quite separate from the company's adviser, S. G. Warburg. It rejected a proposed bid of 61p per share on July 2.

The company said Mr. Wright's resignation had been accepted "with regret" and that there was absolutely no question of him having been given the sack. Mr. Wright was formerly chairman and managing director of Perkins Engines.

Mr. Andrew Simon, the vice-chairman and chief executive of Evode, will act as temporary chairman until a replacement is found.

Mr. Wright, who was 61p per share on July 2, said: "The company said Mr. Wright's resignation had been accepted 'with regret' and that there was absolutely no question of him having been given the sack. Mr. Wright was formerly chairman and managing director of Perkins Engines."

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shares. A. J. Leboff, director, has acquired 10,000 shares. Expanded Metal—National Coal Board Superannuation and Pension Schemes have acquired 250,000 shares, making holding 1.26m (5.81 per cent).

Tea Corporation to change structure

The directors of Tea Corporation announce the proposed acquisition of Free-Stay (an Britain) Club which will, if completed, substantially alter the nature of Tea Corporation and its business will effectively become that of Tour Holidays.

The £300,000 to be satisfied by the issue of 2.5m new ordinary shares of Tea Corporation and upon completion of the agreement, an unconditional offer of 15p cash for each of the existing Tea Corporation 25p stock units will be made.

The Stock Exchange has withdrawn the facility to deal in Tea Corporation stock on the unlisted securities market but will restore this facility after the publication of the TC accounts for 1979 which will incorporate the results of Free-Stay Holidays for its first full period of trading.

SANDERSON-KAYSER
Sander-Kaiser International has agreed terms of an offer for the Sanderson-Kaiser preference shares, the price being 75p cash.

Agreed terms for the ordinary shares have already been announced.

SHILOH SPINNERS
Eva Ring Mill has disposed of 237,077 shares and Laces has acquired 237,077 shares (8.1 per cent).

NOTICE OF REDEMPTION

To the Holders of:

CYANAMID INTERNATIONAL DEVELOPMENT CORPORATION

5 3/4% Guaranteed Sinking Fund Debentures Due 1980

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of September 1, 1965 providing for the above Debentures, \$1,205,000 aggregate principal amount of said Debentures have been selected by lot for redemption on September 1, 1979, through operation of the Sinking Fund, at the redemption price of 100% of the principal amount thereof, together with accrued interest to said date. The serial numbers of the Debentures selected for redemption are as follows:

OUTSTANDING DEBENTURES OF \$1,000 EACH OF PREFIX "A" BEARING THE DISTINGUISHING NUMBERS ENDING IN ANY OF THE FOLLOWING TWO DIGITS:

00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99

ALSO OUTSTANDING DEBENTURES OF \$1,000 EACH OF PREFIX "B" BEARING THE FOLLOWING NUMBERS:

4 1092 3192 4593 6593 8593 10593 11593 12593 13593 14593 15593 16593 17593 18593 19593 20593 21593 22593 23593 24593 25593 26593 27593 28593 29593 30593 31593 32593 33593 34593 35593 36593 37593 38593 39593 40593 41593 42593 43593 44593 45593 46593 47593 48593 49593 50593 51593 52593 53593 54593 55593 56593 57593 58593 59593 60593 61593 62593 63593 64593 65593 66593 67593 68593 69593 70593 71593 72593 73593 74593 75593 76593 77593 78593 79593 80593 81593 82593 83593 84593 85593 86593 87593 88593 89593 90593 91593 92593 93593 94593 95593 96593 97593 98593 99593

Payment will be made upon presentation and surrender of the above Debentures with coupons due March 1, 1980 and subsequent coupons attached at the main offices of any of the following: Morgan Guaranty Trust Company of New York, 130th Floor, 30 West Broadway, New York, N.Y. 10013; Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, N.Y. 10013; Banca Commerciale Italiana in Milan; Allgemeine Bank Nederland, N.V. in Amsterdam; or Kredietbank S.A. Luxembourg. Coupons due September 1, 1979 should be detached and collected in the usual manner.

On and after September 1, 1979 interest shall cease to accrue on the Debentures selected for redemption.

CYANAMID INTERNATIONAL DEVELOPMENT CORPORATION

Dated: July 31, 1979

NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

DEBENTURES OF \$1,000 EACH

21	561	836	3490	8540	5148	6622	8201	9023	10294	10627	11122	11664	12732	13632
22	1392	2025	2532	3039	3546	4053	4560	5067	5574	6081	6588	7095	7602	8109
23	2631	4522	5643	6764	7885	8996	9503	10010	10517	11024	11531	12038	12545	13052
24	2832	3067	3644	4221	4798	5375	5952	6529	7106	7683	8260	8837	9414	9991

IMPERIAL CONTINENTAL GAS ASSOCIATION

(A holding company in the fuel and power industries)

Substantial Increase in Dividend

The following are salient points from Mr. F. E. Zollinger's Speech at the Annual General Meeting on 3rd August, 1979.

North Sea
Development of the Maureen oilfield is in progress and production is expected late in 1981 or early in 1982. Century Power's policy from the outset has been to take a small participation in the earliest possible spread of exploration areas available to it. The company has thus been able to participate in almost 60 exploration and appraisal wells. The Maureen oilfield, modest though it may be, should by itself produce ample recompense for 17 years of patient endeavour.

There has been a great deal of comment recently about the oil discoveries in T. bicet - the Thelma, Toni and Tiffany structures - where Century has a 3.6% interest. Some of this comment is exaggerated, but the structures appear to be promising. In the light of the recent increases in world oil prices, a further evaluation of the Andrew structure is also in progress.

Belgium
The Group's interests in the Belgian public utility sector have provided the base which has enabled us to invest in companies such as Calor and Petrofina and to engage in the search for oil and natural gas.

Gas sales increased substantially during the early part of this year and electricity sales have been somewhat higher than expected, but the economic outlook remains clouded. However, the manner in which Belgium has overcome past pressures on the franc provides grounds for assuming that the recently reported warning by the Governor of the Belgian National Bank regarding the need for financial prudence and for economies in state expenditure will be heeded by the Government.

Calor Group
Calor's record of profit growth continued, with net income rising by 25% to £12.5 million and return on capital employed improving to 17.9%. Significant tonnage growths and improved results were achieved in all of the Group's LPG markets in the UK, the Republic of Ireland and Germany. In the United States, approval was received for a new patented animal feed product, which will be traded as "Lacto-whey" dairy protein. A plant is under construction in Wisconsin and marketing will commence in early 1980.

Profit and Dividend
This is the first year of full consolidation. The profit attributable to IC Gas before exchange items for 1978/79 is £24,058,000 compared with £21,678,000 in the previous year. The proposed rate of dividend of 13.08p (9.8872p) for 1978/79 reflects the Directors' confidence that, given normal circumstances, it will be possible to recommend in the years

WORLD VALUE OF THE POUND

STERLING FELL sharply in currency market yesterday after the announcements of July's Wholesale Price Index. This showed a rise of 2.25 per cent compared with 1.85 per cent in June, and was some way above market expectations. Trading was roughly divided into two, that is before the announcement

The dollar showed a weaker tendency overall in rather featureless trading. Against the D-mark it eased to DM 1.8290 from DM 1.8325 and \$SwF 1.6570 from \$SwF 1.6600 in terms of the Swiss franc. It was also slightly weaker against the Japanese yen at ¥216.40 from ¥216.90. Using Bank of England figures, its trade-weighted index eased to 84.5 from 84.6.

DEUTSCHE MARK

TIME WEIGHS DOLLAR
Feb. 1977, 1977

Year	Exchange Rate (approx.)
1970	147.5
1971	150.5
1972	148.5
1973	150.5
1974	147.5
1975	148.5
1976	152.5
1977	151.5

The Danish krone continued to weaken within the European Monetary System, and fell just outside 75 per cent of its maximum permitted divergence from the Deutschmark. This is the level at which the authorities concerned are under an unwritten obligation to take some corrective action to prevent any further decline.

FRANKFURT — There was no significant secondary market for the Bundesbank's fixing of the Deutschmark at 16.66 per dollar, was fixed lower at DM 18.3800 against DM 18.3270 on Friday. Trading was generally very subdued, and the U.S. unit traded within a narrow range with no fresh factors to provoke

and after. In the morning conditions were seriously dull and sterling opened at \$2,270-2,275 and remained fairly steady up until lunchtime at \$2,270.

News of the July index saw the pound fall quite quickly to \$2,235. By the close it had recovered slightly to \$2,238-2,240, a rise of 3.05% from Friday. Later trading in New York saw the steeper trend continue with sterling quoted at \$2,242. The pound's decline was also sharp against European currencies, and it fell to DM 4.0975 against the D-mark compared with DM 4.1600 on Friday. In terms of the French franc it finished at FFr 951 against FFr 966½.

remained weak and was quoted weakly at DM 34.70 per DKR 100, only marginally above its floor level of DM 34.645 within the EMS. The Danish kroner was slightly above the dollar and sterling but lost a little ground towards its EMS partners. The dollar was quoted at L281.95, down from Friday's level of L280.45 and the pound was quoted at L1.9614, from L1.963. The L3.64 mark gained slightly to L447.75 from L447.96 and the Dutch guilder was fixed higher at AFS21 against A407.55, from AFS20.95. The pound finished lower against the yen, yesterday at Y216.45, compared with Friday's 216.57. After opening at Y217.0, the yen touched a high of Y217.25 and a low of Y217.20, drifted back later in the day to the close.

U.S.	2,297.2-2,275.0	2,280.0-2,260.0	0.73-0.73 gm	3.64	1.80-1.80 pm
Canada	2,292.0-2,270.0	2,260.0-2,250.0	0.80-0.83 pm	3.42	1.85-1.75 pm
Madrid, Spain	2,292.0-2,270.0	2,260.0-2,250.0	0.80-0.83 pm	3.42	1.85-1.75 pm
Belgium	2,292.0-2,270.0	2,260.0-2,250.0	0.80-0.83 pm	3.42	1.85-1.75 pm
Denmark	11,211-11,289	11,282-11,283	10-9c ore	2.02	45-35 pm
Sweden	11,211-11,289	11,282-11,283	10-9c ore	2.02	45-35 pm
W. Germany	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Canada	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Spain	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
France	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Sweden	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Canada	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Spain	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
France	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Sweden	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Canada	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Spain	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
France	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Sweden	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Canada	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Spain	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
France	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Sweden	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Canada	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Spain	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
France	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Sweden	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Canada	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Spain	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
France	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Sweden	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Canada	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Spain	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
France	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
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U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Canada	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Spain	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
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Sweden	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Canada	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Spain	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
France	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
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U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
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U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
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U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Canada	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
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U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
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U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
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France	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Sweden	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
U.S.	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Canada	10,981-11,105	10,981-11,105	10-9c ore	2.02	45-35 pm
Spain	10,981-11,105	10,981-11,105	10-9c ore</		

THE DOLLAR SPOT AND FORWARD

Aug. 6	Day's spread	Close	One month	% Three months p.a.
UK†	2,275.2-2,270	2,280.0-2,260	0.73-0.63c	3.84 1.90-1.80 pm
Ireland‡	2,059.2-2,060	2,060.0-2,050	1.18-1.00c	7.30 3.75-3.25 pm
France§	2,045.2-2,045	2,045.0-2,045	0.65-0.55c	2.50 1.25-1.25 pm
Netherlands	2,045.2-2,045	2,045.0-2,045	0.45-0.35c	2.38 0.80-0.80ds
Belgium	20,947-20,239	20,297-20,237	11-13c	-0.82 -6 ds
Switzerland	20,947-20,239	20,297-20,237	11-13c	-0.82 -6 ds
W. Ger.	20,947-20,239	20,297-20,237	11-13c	-0.82 -6 ds
Portugal	48,955-49,245	49,125-49,250	3.55c	5.18 2.12-2.00 pm
Spain	48,955-49,245	49,125-49,250	3.55c	5.18 2.12-2.00 pm
Italy	518,530-516,700	518,530-516,700	2-3 cfs	-3.56 8.10-10.0 ds
Norway	518,530-516,700	518,530-516,700	2-3 cfs	-3.56 8.10-10.0 ds
Sweden	518,530-516,700	518,530-516,700	2-3 cfs	-3.56 8.10-10.0 ds
Japan	21,405-21,150	21,410-21,150	0.40-0.20 ore	0.29 11-10.13ds
U.S.	21,405-21,150	21,410-21,150	0.40-0.20 ore	0.29 11-10.13ds
South Africa	21,405-21,150	21,410-21,150	0.40-0.20 ore	0.29 11-10.13ds
Switzerland	1,650.0-1,657	1,650.0-1,657	1.46-1.41c	10.30 4.00-3.95 pm

† UK, Ireland and Canada are quoted in U.S. currency.
 ‡ Forward premium.
 § Forward premium.

† UK, Ireland and Canada are quoted in U.S. currency. Forward plain and discounts apply to the U.S. dollar and not to the individual currencies.

CURRENCY MOVEMENTS

Aug. 6	Bank of England Index	Morgan Guaranty change %	Aug. 5	Bank rate %	Special Drawing Rights	Euro Curr	Unit
Sterling	71.5	-33.7	Sterling	14	10	0.573178	1.00
U.S. dollar	85.8	-17.5	U.S. dollar	10	10	1.30111	0.68
Danish krona	135.0	17.7	Denmark	5	10	1.30111	0.68
Austrian schilling	148.1	+19.5	Austrian Sch.	53	17	17.427	18.93
Belgian franc	114.2	+13.5	Belgian F.	38	10	38.1030	40.95
French franc	121.2	+2.2	French F.	9	10	9.1663	9.63
Deutsche mark	151.6	+42.0	D Mark	5	2	2.39454	2.58
Swiss franc	197.0	+81.2	Gulder	8	2	2.15653	2.73
Gulder	133.7	+18.5	French Fr.	9	10	9.1663	9.63
French franc	109.1	-1.1	Lira	101	10	1067.56	1126
Lira	55.2	+48.3	Yen	53	14	288.146	306
Yen	132.1	+50.6	Nwgn.	6	10	6.46353	6.82
			Spanish P.	7	10	8.00064	8.49
			Swedish Kr.	7	10	5.65835	5.98

Based on trade weighted changes from Washington

CURRENCY RATES

Aug. 6	Bank of England Index	Morgan Guaranty change %	Aug. 5	Bank rate %	Special Drawing Rights	Euro Curr	Unit
Sterling	71.5	-33.7	Sterling	14	10	0.573178	1.68
U.S. dollar	85.8	-17.7	U.S. dollar	10	10	1.30111	0.50
Danish kroner	135.0	2.2	Denmark	5	13	1.3145	0.75
Austrian schilling	148.1	+19.5	Austrian Sch.	53	17	17.427	18.93
Belgian franc	114.2	+13.5	Belgian F.	38	10	38.1030	40.95
French franc	121.0	+2.9	French F.	9	10	9.1663	9.75
Deutsche mark	151.6	+42.0	D Mark	5	2	2.39454	2.58
Swiss franc	197.0	+81.2	Gulder	8	2	2.15653	2.73
Gulder	133.7	+18.5	French Fr.	9	10	9.1663	9.75
French franc	121.0	+2.9	Lira	101	10	1067.56	1126
Lira	55.2	+48.3	Yen	53	14	288.146	306
Yen	132.1	+50.6	Nwgn.	6	10	6.46353	6.82
			Spanish P.	7	10	8.00064	8.58
			Swedish Kr.	7	10	5.65352	5.93

Based on trade weighted changes from Washington

OTHER MARKETS

August 6	£	\$	Note Rate	
Argentina Pesos.	5117-5157	1890-1940	Austria.	50-51
Australia Dollar.	1.9940-1.9940	0.0860-0.0860	Belgium.	58.5-70
Brazil Cruzeiros.	6.00-6.00	0.0000-0.0000	Denmark.	10.00-10.00
Finland Markka.	6.82-6.82	2.8755-2.8905	France.	8.60-79.79
Greek Drachma.	50.461-50.461	36.50-37.75	Germany.	14.10-24.24
Indian Rupee (K).	16.00-16.00	0.0000-0.0000	Italy.	1.00-1.00
Iran Rial.	166.06-169.87	75-76	Japan.	465-500
Israeli Lira (K).	0.6800-0.6800	0.0765-0.0765	Netherlands.	4.40-4.40
Libra Punt (K).	65.45-65.45	50.57-50.57	Norway.	1.40-1.40
Malaysia Dollar.	4.975-4.98	1.1555-2.1555	Portugal.	107-110
Mexican Unidad.	2.9000-2.9000	0.0000-0.0000	Spain.	16.00-16.00
Saudi Arab. Riyal.	4.77-4.77	3.5504-3.5504	Switzerland.	3.70-3.85
Taiwan Dollar.	4.975-4.98	1.1555-2.1555	United States.	2.86-2.86

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU August 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.4682	7.30122	+2.74	+1.22	-1.53
Danish Krone	7.46652	4.24428	+3.17	+1.84	-1.635
German, D-Mark	2.70364	2.70364	0.00	0.00	-1.665
French Franc	5.78931	5.85983	+1.94	+0.12	-2.16
Dutch Guilder	2.72077	2.78189	+2.25	+0.72	-1.5075
Irish Punt	0.652383	0.673388	+1.62	+0.20	-1.0725
Italian Lira	146.5	139.5	-1.10	-1.10	-4.0625

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

August 6	Pound Sterling	U.S. Dollar	Deutschemark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling 1 U.S. Dollar	4.449	2.329	4.089	494.5	2.510	2.710	4.490	1833.	2.631	65.50
Deutschemark Japanese Yen 1,000	0.944	0.946	1.457	118.2	2.321	0.905	1.096	447.8	0.642	15.99
Swiss Franc 10 French Francs	1.022	0.854	4.300	506.5	10	3.901	4.721	1937.	2.767	68.87
Dutch Guilder Italian Lira 1,000	0.320	0.406	1.104	150.6	2.353	1.121	483.9	0.709	17.65	
Canadian Dollar Belgian Franc 100	0.260	0.881	1.569	194.2	2.615	1.410	1.757	696.5	1.	24.90
	1.587	4.418	7.269	759.7	14.53	5.642	6.955	2798.	4.017	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposits: one month 10.75-10.85 per cent; three months 10.80-10.90 per cent; six months 10.80-10.90 per cent; one year 10.50-10.60 per cent.

Aug. 6.	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
1 short term.....	137½-141½	100½-107½	81½-101½	81½-84½	111½	67½-69½	111-113½	102½-137½	—	21½-71½
7 days' notice.....	137½-141½	100½-107½	81½-101½	81½-84½	111½	67½-69½	111-113½	131-141½	10½-10½	47½-57½
Month.....	141-144½	104-112	111½-114½	81½-84½	109-111½	67½-69½	110-112½	144½-154½	107½-111½	54½-64½
three months.....	141-144½	104-112	111½-114½	81½-84½	109-111½	67½-69½	110-112½	144½-154½	107½-111½	54½-64½
six months.....	131½-147½	111-114½	111½-113½	91½-94½	22½-24½	64-66½	111½-114½	144½-154½	111-117½	64½-66½
one year.....	151½-155½	104-110½	101-104½	91½-94½	22½-24½	64-66½	112-114½	144½-154½	103½-107½	61½-64½

Long-term Eurodollar: two years 10 $\frac{1}{2}$ -10 $\frac{3}{4}$ per cent; three years 10 $\frac{1}{2}$ -10 $\frac{3}{4}$ per cent; four years 10 $\frac{1}{2}$ -10 $\frac{3}{4}$ per cent; five years 10-10 $\frac{1}{2}$ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

New York trading subdued

Federal funds were higher in early trading at 10 1/4-10 1/2 per cent yesterday, and later in the day, the Federal authorities entered the market to make overnight repurchase orders for a customer of \$1 billion. Trading remained fairly quiet and featureless and Treasury bill rates eased slightly. 13-week bills were quoted at 9.95 per cent against 9.37 per cent and 26-week bills eased to 9.32 compared with 9.38 per cent.

6.95 per cent but six-month rose to 7.30-7.40 per cent from 7.25-7.35 per cent. 12-month money was quoted at 7.40-7.50 per cent compared with 7.40-7.60 per cent.

AMSTERDAM—Call money remained at 8½ per cent and one-month money was quoted at 9½ per cent. The three-month rate moved slightly from 9½ per cent to 9¾ per cent while six-month money firmed to 9½ per cent from 9¾ per cent.

PARIS—Call money rose again

were quoted at 11½-12½ per cent for one-month, 11½-12½ per cent for three-month, 11½-11½ per cent for six-month, and 10½-10½ per cent for 12-month deposits.

SINGAPORE—Several more banks announced changes in their prime rates. Increases included a ½ per cent rise to 8½ per cent by American Express International Banking Corporation and a similar rise by Bank of East Asia. Bank of China

fall

Gold recorded its seventh consecutive fall in the London bullion market yesterday and closed at \$281 1/2-282 1/4, a loss of \$2 1/2 an ounce from Friday, and down \$2 1/4 or 7.92 per cent since its peak on July 26. Trading

	Aug. 6	Aug. 5
Gold Bullion (fine ounce)		
Close	\$281 1/2-282 1/4	\$287 1/2-287 3/4

UK MONEY MARKET

Small assistance

**Bank of England Minimum
Lending Rate 14 per cent
(since June 12, 1979)**

balances over the weekend a small way below target, and there was a small net take up of

before coming back to 13 $\frac{1}{2}$ -13 $\frac{1}{2}$ per cent, a level which saw most of the day's business. Later in

520 Eagles	\$406-411	\$412-417
810 Eagles	\$226-231	\$232-237
95 Eagles	\$169-175	\$176-181

yesterday morning was extremely

LONDON MONEY RATES

MONEY RATES									
NEW YORK									
GERMANY									
Overnight	5-13 1/2	13 1/2-14	14-14 1/2	14 1/2-14 3/4	14 3/4-15	15-15 1/2	15 1/2-16	16-16 1/2	16 1/2-17
2 days notice	13 1/2-14	14-14 1/2	14 1/2-14 3/4	14 3/4-15	15-15 1/2	15 1/2-16	16-16 1/2	16 1/2-17	17-17 1/2
7 days or more notice	14-14 1/2	14 1/2-14 3/4	14 3/4-15	15-15 1/2	15 1/2-16	16-16 1/2	16 1/2-17	17-17 1/2	17 1/2-18
One month	14 1/2-15	15-15 1/2	15 1/2-16	16-16 1/2	16 1/2-17	17-17 1/2	17 1/2-18	18-18 1/2	18 1/2-19
Two months	14 1/2-15	15-15 1/2	15 1/2-16	16-16 1/2	16 1/2-17	17-17 1/2	17 1/2-18	18-18 1/2	18 1/2-19
Three months	14 1/2-15	15-15 1/2	15 1/2-16	16-16 1/2	16 1/2-17	17-17 1/2	17 1/2-18	18-18 1/2	18 1/2-19
Six months	14 1/2-15	15-15 1/2	15 1/2-16	16-16 1/2	16 1/2-17	17-17 1/2	17 1/2-18	18-18 1/2	18 1/2-19
Nine months	14 1/2-15	15-15 1/2	15 1/2-16	16-16 1/2	16 1/2-17	17-17 1/2	17 1/2-18	18-18 1/2	18 1/2-19
One year	14 1/2-15	15-15 1/2	15 1/2-16	16-16 1/2	16 1/2-17	17-17 1/2	17 1/2-18	18-18 1/2	18 1/2-19

FRANCE	
Discount Rate	9.5
Overnight Rate	10.50
Three months	10.50
Six months	10.875
One year	10.75
JAPAN	
Discount Rate	5.25
Call (Unconditional)	6.625
Bank Deposit (three-month)	7.0

WORLD VALUE OF THE POUND


The table below gives the latest available rates of exchange for the pound against various currencies on August 6, 1979. In some cases rates are nominal. Marks rates are the average of buying and selling rates where they are shown, to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied. Exchange in the UK and most of the other rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer. Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate, based on US dollar price; (S) buying, starting/dollar rate; (E) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (Bg) buying rates; (Bk) bankers' rates; (Cm) commercial rates; (Cn) convertible rate; (Fn) financial rate; (Ec) exchange certificate rate; (S) Scheduled Territory; (Nm) commercial rate; (Nn) nominal; (Of) official rate; (Sg) selling rate.

[illegible]

* That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports \$4.038. Based on gross sales against Russian rouble. ** Rate is the transfer market (controlled). †† Rate is now based on 2 Barbados £ to the dollar.

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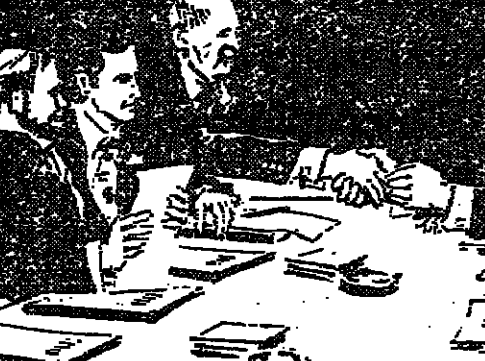
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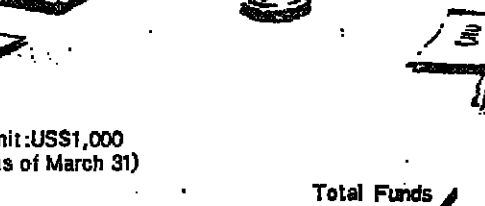
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FY '74	~4,800,000	~4,200,000
'75	~5,500,000	~4,800,000
'76	~6,500,000	~5,500,000
'77	~7,800,000	~6,000,000
'78	~8,500,000	~6,500,000

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WEST GERMAN INVESTMENT IN THE U.S.

Chasing a lower wage structure

BY ROGER BOYES IN BONN

GRIPPED by something akin to the old Wild West pioneering spirit, more and more West German companies are looking for equity stakes in American concerns. It is an investment climate which spawns its fair share of rumours—the speculation surrounding the Volkswagen-Chrysler link-up is a case in point—as well as ill-starred deals. But the wide range of German industries that are showing interest in the U.S. testifies to the real advantage of direct investment.

The main German investors in the U.S. come from the chemical and motor industries, from steel and engineering concerns, from property investors and insurance companies. And figures recently released by the IFO research institute demonstrate that the drift to the U.S. is not just a passing fashion. The North American share of total West German overseas investment increased from 25.8 per cent to 21.6 per cent between 1974 and 1978. But between 1978 and 1981, 41.3 per cent of West Germany's planned investment is expected to go to the U.S. and Canada. The loser in all of this is Europe, and anticipated investment in EEC countries is expected to fall to 32.5 per cent by 1981.

West German investment in the U.S. now totals over DM 8bn (\$4.36bn). This is still only half of U.S. investment in Germany, but the gap is narrowing rapidly. Now West German investment in the U.S. last year totalled over \$1bn against U.S. investment in Germany of \$468m.

One initial conclusion to be

drawn from these figures is that both Europe and West Germany have become less attractive investment propositions for German companies. The high West German wage costs—now well above those of the U.S. in most sectors—the fears of future import restrictions, and escalating transport costs have all put pressure on margins.

A group of West German investors is to acquire Furr's, a supermarket chain based in Texas and New Mexico. The American company has been operating under bankruptcy proceedings since May 26, and the West German syndicate is to repay debts of \$68m.

The U.S., by contrast, can once again be seen as a land of opportunity. The U.S. market is less restricted in many sectors, and returns on investment can be better and quicker than in Europe or the developing countries. Direct investment is a way of guaranteeing companies' U.S. market share at a time when the dollar-Deutsche-Mark fluctuations can suddenly make German exports uncompetitive. And even the political uncertainties in the U.S. seem to highlight the need for on-the-spot production, if only to guard against a sudden about-turn on import policies.

The labour cost factor is particularly important in German chemical companies' decisions to invest in the U.S. Bayer, Henkel and Hoechst have wholly owned subsidiaries in the U.S., and find that they

can operate with fewer overhead labour costs—the proportion of non-productive to productive labour is much smaller—and that the lower fringe payments can help to secure margins.

Average West German labour costs, at DM 20.6 per hour, are now among the highest in the West—a clear 18 per cent above

headed by Herr W. Liebrand, the principal partner in the food retailing co-operative Rewe-Liefbrand, which controls some 800 stores throughout Germany. The co-operative plans a maximum investment in the American group of 25 per cent, with the Liebrand

the average cost in the U.S. Moreover, chemical industry wages are well above the average, with hourly labour costs averaging out at DM 30 per hour. This includes a hefty fringe benefit component—including holiday bonuses, savings schemes and low-price housing—which is substantially smaller in the U.S.

The trend for most West German companies has been to search out medium-sized U.S. concerns whose business complements their own world-wide business plans. Thus Flick, which has a German subsidiary engaged solely in developing new energy technologies, has bought its way into chemicals group W. R. Grace (29.6 per cent) and U.S. Filter (34.5 per cent) an engineering group which specialises in energy-related fields.

Flick plans to concentrate its energy plans on coal gasification projects and on the use of biological waste products, and both U.S. subsidiaries slot conveniently into the programme.

But a German company which enters the U.S. market in a field in which it is already active runs the risk of stumbling

family picking up the balance. If approved, the deal will be Rewe's first merchandising operation in the U.S. The German group has no plans to alter the management of Furr's and would retain the existing stores chain, according to Furr's chief executive, Mr. Patrick J. Murphy.

against the American Anti-Trust laws.

The U.S. is generally not favoured by those German companies which are diversifying away from their main product group. The exception to this appears to be the supermarket trade, which can offer German companies a ready-made infrastructure and open up outlets for own products. This seemed to be the reasoning behind the Heinrich Bauer Verlag's recent (and unsuccessful) bid for Winn's, which controls a chain of 150 Texas department stores. Bauer is one of Germany's leading magazine publishers, but has long been faced with near-saturation in the German market.

It is still not clear if Bauer wants to become a publishing force in the U.S.—apparently the ambition of its rival Gruner

und Jahr, which recently made an offer for the Brown Printing Company of Waseca, Minnesota. But if it is thinking on these lines, then a chain of outlets in one state would have been a useful way of launching a magazine and sampling reader response. Bertelsmann, which has a 75 per cent stake in Gruner und Jahr, also has a 51 per cent holding in Bantam Books, the U.S. publisher.

The immediate precedent for German companies moving into the U.S. supermarket field appears to be Tengelmann's recent purchase of 42 per cent of the troubled Great Atlantic and Pacific Tea Company.

Under the Tengelmann regime, A and P will spend \$12.5m on opening 50 limited assortment food stores similar to those operated by Tengelmann in Germany. These will be run by a West German executive. As the Tengelmann deal demonstrates, investment in the U.S. presupposes a considerable confidence in both the product and in the superiority of German management.

By drastically cutting overheads, Tengelmann for example hopes to produce a rapid shift to profitability in A and P's sprawling inner city stores. There is, however, a high degree of risk in buying into weak companies and applying German techniques. Indeed, the doubts of MAN's shareholders about the financial strength of White Motor was a strong factor in the collapse of the proposed deal between the German engineering concern and the U.S. truck producer.

Mystery buying of Ansett

By James Forth in Sydney

A STRUGGLE for control of Ansett Transport Industries, the major airline, transport, hotel and television group, appears to have erupted on the stock exchanges. Ansett shares were heavily traded on the market yesterday, and closed 13 cents up at A\$1.58.

Over the past month the price has risen from A\$1.30, with two transport groups—the Sydney-based Thomas Nationwide Transport (TNT) and the Western Australian-based, Bell Group—buying. A third unidentified buyer appeared to enter the market yesterday, operating through the Melbourne sharebroker firm, J. B. Were and Son.

TNT made an unsuccessful takeover bid for Ansett in 1972, and ended up with a 23 per cent shareholding in the group. TNT reached an agreement under which its voting rights were restricted to 10 per cent of the capital.

In the past 12 months TNT had reduced its holding to around 13 per cent, but resumed purchases when the Bell Group began buying, and now holds about 15 per cent. The Bell Group currently holds around 8 per cent.

Speculation on a takeover move by Ansett has grown since the collapse earlier this year of the finance company, Associated Securities, in which Ansett had a 43 per cent interest.

Japanese oil refiner in debt

BY RICHARD C. HANSON IN TOKYO

THE MAJOR shareholders in Toa Kaseki, the oil refiner, are negotiating a shift in ownership and management responsibility in the financially troubled company, which has run up debts of ¥51.4bn (C\$240m). The changes will eventually affect the position of the Kaseki parent company, Toa Oil, which itself has debts of ¥7.2bn.

C. Itoh and Co. which owns 38.85 per cent of Toa Oil (and jointly with Toa Oil 64.17 per cent of Toa Kaseki) is talking with another oil refiner, Nippon Mining, on a takeover of responsibilities for Toa Kaseki. Nippon Mining itself is the largest shareholder in the joint oil product distribution company, Kyodo Oil, which was a co-founder of Toa Kaseki in September 1973, along with C. Itoh, and currently holds a 33.4 per cent interest.

These complicated relationships between refiners and distributors were established in 1985 under the guidance of the Ministry of International Trade and Industry, which tried to rationalise the Japanese owned refining industry, to make it more competitive with foreign companies.

The ministry directed that Kyodo Oil be established to distribute the output of other "Japan flag" refiners, including its refiner owners, Toa Oil

sell its products through Kyodo but is not a shareholder. Toa Kaseki and Toa Oil refining capacity combined amounts to only 200,000 barrels per day, which is small compared with the total Japanese capacity of 5m barrels a day.

Once the Toa Kaseki case is cleared up, with ministry approval, it is being suggested that Toa Oil ownership will be transferred to Showa Oil, a refiner in the Shell Oil group. Toa presently has no equity ties with Showa, but is under contract to refine 50,000 barrels a day for Showa utilising its excess capacity.

Japan depends on foreign affiliates for about half its refined oil products, with Japanese refiners in turn getting about 65 per cent of their oil through the oil company majors. This dependency will probably drop to below 50 per cent by the end of the year as a result of supply cuts by the majors, forcing greater dependence on direct supplies from oil producing countries.

Daiwa Bank Singapore
DAIWA BANK, of Japan, is to upgrade its representative office in Singapore to a branch this year, AP-DJ reports from Singapore.

Loss mounts at French state tobacco group

By David White in Paris

A DECLINE in French smokers' consumption, which was the main reason cited for a sharply higher loss last year at the state-owned tobacco monopoly SETTA (Service d'Exploitation Industrielle des Tabacs et des Allumettes). The group's operating deficit rose to FF1 302.6m (\$71.2m) from FF1 161.6m in 1977.

A 15 per cent price increase granted by the Government in May last year offset a 2.3 per cent decline in the volume of French tobacco sales.

But the increase came too late and was too small to bring about an improvement in the group's financial situation, according to SETTA, whose brands include the best-selling Gauloises and Gitanes. The company said it also had to make large provisions to absorb rising raw material prices.

The decline in the market was attributed to higher prices and to the Government's anti-smoking campaign. The French authorities have come under attack recently from cigarette and tobacco importers, who say that limits set on advertising spending give SETTA an unfair advantage.

Sales rise forecast by German engineer

BY ROGER BOYES IN BONN

WEST GERMAN diesel motors, vehicles and industrial engineering group, Kloeckner-Humboldt-Deutz, expects a large increase in turnover this year, but is clearly concerned about a drop in overseas orders in the first half.

In a letter to shareholders, the group indicated that turnover growth was back on course after a drop of DM 150m last year. The first half of this year showed a 14 per cent rise to DM 1.47bn (\$902m). This pace should be maintained throughout the year, and the group anticipates a 1979 rise of

DM 250m to DM 3.4bn. The order books present a rather mixed picture. New domestic orders are up by only 1 per cent in the first half, but KHD believes that this figure has been artificially depressed and that the real increase is closer to 4 per cent. Overseas orders, however, are down by 13 per cent. This is believed partly to be the result of slackening demand from the OPEC countries, as KHD is engaged in large turnkey projects in the Middle East.

The profitable diesel division remains an important contribu-

tor to the order books—the German building boom has for example created a strong demand for high-speed engine sets.

Despite the drop in new orders there seem to be no fears about full utilisation of manufacturing capacity during the second half. A 1 per cent rise in outstanding orders (which now stand at DM 2.8bn) will help to balance out the effects of slackening overseas demand.

KHD does not disclose specific half-year figures. In 1978, both parent company and consolidated results eased modestly—

from DM 46.5m to DM 45.9m at the parent company level with the group as a whole emerging at DM 47.3m compared with DM 47.5m.

However, as a result of the improving outlook for 1979, the company felt able to increase its dividend for 1978. This was lifted to DM 7 a share from DM 6.

BY JIM JONES IN JOHANNESBURG

AN UNFAVOURABLE product mix and increased operating costs which could not be passed on in higher prices hit first-half turnover and operating profit of Carlton Paper, South Africa's largest producer of paper tissues. However, despite this setback, Mr. Basil Landau, the chairman, is confident that an improvement will be recorded during the second half.

For the six months to June 30, 1978, Carlton, which is 73.1 per cent-owned by Kimberley-Clark South Africa, has reported a 2.8 per cent fall in turnover

to R26m (\$30.7m), compared with last year's first-half figure of R26.7m and with R53.9m for the whole of 1978. However, last year's first-half turnover was artificially boosted by heavy trade buying ahead of the imposition of a 4 per cent general sales tax. Higher costs led to a 25.3 per cent operating profit drop from R4.17m to R3.12m (\$8.7m).

Mr. Landau's projection of better second-half performance is based on the securing of substantial export orders, offering improved equipment utilisation,

and a consequent reduction in overheads, and the fact that with effect from August 1, average prices have been increased by 8 per cent.

Underlining the management's confidence, an increase in the interim dividend from five cents to six cents has been announced, from earnings per share of 11.8 cents against 14.2 cents. In 1978, on earnings for the year of 26.3 cents, dividends totalling 13 cents were declared. In Johannesburg, Carlton's shares are currently trading at 170 cents.

DNC lifts stake in Andresens

BY FAY GJETER IN OSLO

DEN NORSKE Creditbank (DNC), Norway's largest commercial bank, has bought NKF 10m (\$1.98m) worth of shares in a smaller bank, Andresens, from the Bank of Norway. The purchase increases DNC's stake in Andresens by 7.5 per cent to about 8.75 per cent, making it one of the largest shareholders.

DNC said that the deal had

been undertaken both because it was a good investment at a favourable price (NKF 103.80 per share) and in order to help keep Norwegian bank shares in private hands. The bank denied that it was designed to pave the way for an eventual takeover of Andresens by DNC. Talks on a possible merger between the two banks were held a couple of years ago, but came to

nothing. Another aspect of the purchase is that it will save taxpayers' money. Under a new law to make Norwegian banks more "democratic," the Bank of Norway is obliged to buy bank shares, at a "fair" price (fixed by an independent board), if shareholders wish to dispose of them. This obligation extends until the end of 1980.

The Labour Government does not want to see the state become a big holder of bank shares, however, mainly because it does not want to tie up public money for this purpose. Official policy is to re-sell the shares to private interests, wherever this can be done without loss.

The Bank of Norway said that bank share redemptions under the law had recently declined. Following the sale of Andresens' shares to DNC, the Bank of Norway now holds only one large block of such redeemed shares—NKF 51m in Bergen Bank. This bank, Norway's second largest, had to cut its dividend for 1978 to 6 per cent from 9 per cent in 1977, following heavy losses on foreign currency dealings last year.

FUGIT funds Sasol subscription

By Our Johannesburg Correspondent

FIRST UNION General Investment Trust (FUGIT), the investment trust owned to 65 per cent by the insurance company, Guardian-Liberty Life, has announced a one-off rights issue. This is aimed at providing funds to take up shares in the R525m (\$620m) issue by Sasol, the South African oil-from-coal producer, details of which were announced late last month.

FUGIT will issue 12.42m shares, increasing its total of ordinary shares in issue to 74.52m. On an issue price of 200 cents Sasol shares will yield an immediate 7 per cent on dividends. No details are available on how many shares FUGIT will be taking up, but the investment will apparently not be far out of line with the company's return on its portfolio in the year to December 31, 1978.

At end-1978 FUGIT's investment portfolio had a market value of R80.5m (\$95m) on which a pre-tax profit of R5.0m was earned. Last year on earnings per share of 7.9 cents, FUGIT paid dividends totalling 4.75 cents. The price of the proposed rights issue will be announced on August 24. FUGIT's shares are currently trading at 125 cents in Johannesburg.

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Svenska Handelsbanken

Trident International Finance

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